

EUROPEAN BANKING GUIDE FOR NONPROFITS

HOW TO OPEN AND MANAGE AN ORGANIZATIONAL BANK ACCOUNT



European Center for
Not-for-Profit Law



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HUNGARY

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European Center for
Not-for-Profit Law

European Center for Not-for-Profit Law Stichting (ECNL)

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1. OPENING AN ORGANIZATIONAL BANK ACCOUNT

a. What are the requirements to open an organizational bank account?

i. Do organizations have to be physically present in the country to open a bank account? I.e., can they operate in country X but have a bank account in country Y? Is the presence of a statutory representative required or can the presence be fulfilled through an authorization?

Organizations without a registered seat in Hungary are allowed to open bank accounts in the country. There is no legal requirement for the pre-registration/incorporation of a foreign CSO in Hungary before opening a bank account.

Any authorized person who is, according to the bylaws of the CSO, entitled to represent the organization or being empowered to this effect must be physically present. Accordingly, the CSO's authorized legal representative is able to open the bank account by presenting a valid power of attorney to the bank.

Please note that some banks offer online bank account opening (or at least the possibility of initiating the process) to their clients. In this case, no physical presence is necessary. As of the date of this questionnaire, the following banks offer this service: [Gránit Bank](#), [Magnet Bank](#), and [Raiffeisen Bank](#). [K&H Bank](#) allows a party to open a bank account online, without having to sign the documents physically, however, the representative must be a Hungarian citizen. Though there are nuances that need to be addressed on a case-by-case basis.

ii. Are there specific requirements for CSOs to open accounts by law or asked in practice by the banks (e.g, years of operations, annual turnover, to have director or member of governing body to be national of the country)

There are no specific requirements specified by law or limitations vis-à-vis banks to open bank accounts for CSOs not registered in Hungary. However, Section 114 of [Hungarian Act CL of 2017](#) on the Rules of Taxation states that resident legal persons (including CSOs) who are liable to pay value added tax-must have at least one domestic (Hungarian) bookkeeper.

iii. Who is authorized/required to open a bank account? Can this be done online, or that person needs to be present in the country? In case of requirement of presence can this be fulfilled by signing the paperwork at an embassy or notary?

The authorized representatives and individuals having access to the bank account of the CSO are generally entitled to open a bank account. Opening a bank account through an online platform is also possible, though this is not permitted in all Hungarian banks (see answer provided under 2. a,i. above). The largest and most well-known Hungarian bank, [OTP bank](#), requires the representative(s) be physically present at a bank branch office in every case.

It is currently not possible to sign the required documents at an embassy or notary.

iv. What is the process of setting up a bank account? E.g., how long it takes, is there a practice to have an interview in the bank?

The whole process of setting up a new bank account can be completed in one or two days, depending on the response time of the specific bank.

Documents to be presented to open a first bank account on behalf of a CSO:

- proof of signatory powers: original and copy of the decision certifying the individual(s) right to sign;
- registration order (or similar, such as incorporation documents);
- documents necessary to identify the signatories (identity card, driving license, address card);
- proof of tax number; and,
- sample of the representative's signature: this is not mandatory but most banks require it.

Opening a bank account does not require a separate notification to the Hungarian tax authority (National Tax and Customs Administration (Hungarian abbreviation: NAV)) by the CSO, the bank will complete this notification on their own.

Please note that the list of documents may differ from one bank to another. Conditions for opening a bank account must be checked on a case-by-case basis.

2. BANKING ACTIVITIES

a. What customer due diligence requirements are in place and what is their impact on civil society organizations' banking activities?

Banks perform due diligence on CSOs in the following cases:

- upon establishing a business relationship with them;
- when executing a transaction order for an amount of HUF 4.5 million or more, in the case of a commodity trader,
- when executing a transaction order in cash for an amount equal to or exceeding HUF 3 million;
- when executing a transfer order for an amount exceeding HUF 300,000 qualified as a “transfer of funds”;
- where information, facts or circumstances suggesting money laundering or terrorist financing have come to light;
- where there is doubt as to the accuracy or adequacy of previously recorded customer identification data,
- where a change in the client identification data is recorded and a re-screening of the client is required on the basis of a risk-sensitive approach; and,
- in the case of a currency exchange amounting to or exceeding HUF 300,000.

The bank may use a simplified customer due diligence in situations where the risk associated with the business relationship is low (assessed by the bank). Simplified customer due diligence does not exempt from the required customer due diligence measures, but the bank may reduce the amount of any or all customer due diligence measures, or the timing or type of any or all of the customer service measures in a manner that is proportionate to the low risk.

We note that CSOs are usually considered low-risk customers, but this is assessed on a case-by-case basis.

b. Which internal principles or official (central bank) “suspicious transaction” monitoring criteria are in place affecting the civil society organizations? Is it publicly available?

The [National Bank of Hungary](#) (Hungarian abbreviation: “MNB”) has issued a recommendation on the assessment of money laundering and terrorist financing risks for financial institutions, and the related measures. According to the guideline, regardless of the level of risk, banks should ensure that they have sufficient information to enable meaningful ongoing monitoring of the business relationship to obtain information about their customers. The monitoring systems used by the banks should be:

- transaction-monitoring systems that detect anomalies or suspicious patterns of behavior;
- systems to identify discrepancies between the information provided and the information detected, such as information on the country of origin provided and electronically detected IP address;
- systems that compare the information provided on other business relationships information on other business transactions and the bank and which can identify patterns such as identical financing instrument or identical contact details; and,
- systems that can identify if the product is used for goods and services traders in services and goods that carry a high risk of financial crime.

The detected activities may be marked as red flags (“suspicious transactions”), which are not in accordance with the purpose of the services provided.

The monitoring criteria can be found in Hungarian at the following link: <https://www.mnb.hu/letoltes/7-2019-penzmosas-kockazati-tenyezok.pdf>.

c. Do the banks in the country of operations have any restrictions/limitations to bank transactions and transfers to certain jurisdictions (such as high-risk ones).

Yes, there are some limitations to bank transactions to certain jurisdictions, as banks are legally authorized to withhold transactions and transfers for a period of time, which are high risk, or serve as a basis for their monitoring activities.

i. If yes, is the list of jurisdictions publicly available?

The Hungarian legislation follows the EU Regulation¹ by identifying high-risk third countries with strategic deficiencies.

High-risk third countries:

- Afghanistan
- The Bahamas
- Barbados
- Botswana
- Cambodia
- Ghana
- Iraq
- Jamaica
- Mauritius
- Mongolia
- Myanmar/Burma
- Nicaragua
- Pakistan
- Panama
- Syria
- Trinidad and Tobago
- Uganda
- Vanuatu
- Yemen
- Zimbabwe

¹ Commission Delegated Regulation (EU) 2020/855 of 7 May 2020 amending Delegated Regulation (EU) 2016/1675 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council, as regards adding the Bahamas, Barbados, Botswana, Cambodia, Ghana, Jamaica, Mauritius, Mongolia, Myanmar/Burma, Nicaragua, Panama and Zimbabwe to the table in point I of the Annex and deleting Bosnia-Herzegovina, Ethiopia, Guyana, Lao People's Democratic Republic, Sri Lanka and Tunisia from this table

ii. What would be the procedures the bank would follow in this case for their CSO clients?

Following the customer due diligence or the time specifically available for banks to conduct the investigation (usually 60 days), the banks either approve the transactions, or reject them, depending on the outcome of the customer due diligence. To this end, MNB continuously informs the Anti-Money Laundering and Counter-Terrorist Financing Unit of NAV on the information it has received on these matters.

3. OBLIGATIONS AND REPORTING REQUIREMENTS

a. Are banks required to provide CSO clients' financial information to CSO regulatory authorities or public officials? If yes, under what circumstances must banks do so, and what types of information must they provide?

The banks must, at all times and without limitation, keep specified data and documents at the request of:

- the supervisory body (MNB);
- the investigating authority (e.g., NAV, Hungarian Competition Office);
- the public prosecutor's office; and,
- the courts,

without any special or exceptional circumstance giving rise to such request, for the period specified in the request, but for a maximum of 10 years from the termination of the business relationship or the execution of the transaction order.

Banks must provide all personal data, including data obtained during electronic identification and all other data and information related to business relationships (registered name of the business entity (CSO), registered seat, founding member(s) or shareholder(s) and their residential address or seat) for a period of eight years after the end of the business relationship or after the date of carrying out the transaction order.

b. What obligations do banks have to protect the privacy of clients' information?

Hungarian banks respect all the applicable legislation in force and all the principles of data protection when processing personal data. Accordingly, most banks ensure that:

- personal data is processed lawfully and fairly and in a transparent manner for the data subject;
- personal data are collected only for specified, explicit and legitimate purposes and are not processed in a way incompatible with those purposes;
- the personal data processed is adequate, relevant and limited to what is necessary for the purposes for which they are processed;
- the personal data processed is accurate and, where necessary, kept up to date. The banks will take all reasonable steps to delete or rectify inaccurate personal data;
- the personal data is stored only in a form which permits identification of the data subjects for no longer than it is necessary for the purposes for which the data is processed; and,
- the security of personal data is adequate, including protection against unauthorized or unlawful processing, accidental loss, destruction or damage, by implementing appropriate technical or organizational measures.

c. Are there specific reporting obligations for banks to inform governments on civil society banking in certain circumstances?

Banks do not have a specific reporting obligation regarding civil societies.



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