**POLICY OF THE MBH GROUP ON THE PREVENTION AND COMBATING OF MONEY LAUNDERING AND TERRORIST FINANCING**

**PREAMBLE**

MBH Bank Nyrt. and the MBH Banking Group (collectively: the MBH Group) will actively combat money laundering and terrorist financing using the means at its disposal and will participate in the fight aimed at preventing, deterring and detecting economic crime.

The MBH Group takes preventive measures in order to prevent its products and services from being used for money laundering or terrorist financing or for committing criminal offences, in particular fraud, bribery or corruption.

The MBH Group's policy on the prevention and combating of money laundering and terrorist financing (hereinafter: the "Policy") is aimed at ensuring compliance with Act LII of 2017 (hereinafter the "Money Laundering Act") and HMB Decree 26/2020 (VIII.25.)[[1]](#footnote-1), as well as the relevant international standards ensuring the prudent and transparent operation of the Bank.

The scope of the Policy extends to all functional units of the MBH Group and to all employees involved in the provision, management and control of the financial and investment services and products of the MBH Group.

**BASIC PRINCIPLES OF THE MBH BANKING GROUP**

**OBLIGATION TO CONDUCT CUSTOMER DUE DILIGENCE**

The MBH Group is required to implement customer due diligence measures, which include customer identification, identity verification, identifying the beneficial owner and verifying the beneficial owner's details, and risk-rating the customer. The details of the business relationship are recorded based on the identification, the transaction order and the business relationship are monitored on an ongoing basis. The MBH Group keeps up-to-date records of customer data in its systems.

The MBH Group may obtain additional information on transactions, dealings and counterparties to transactions executed on the client's account beyond the information available.

**Know Your Customer – KYC**

The MBH Group is committed to taking action against the use of its services and products for the purpose of conducting suspicious transactions and against the causing of material or moral damage to the MBH Group, its owners or its customers. In order to ensure full compliance with this principle, the MBH Group pays particular attention to getting to know its customers as well as possible, and all employees shall therefore comply with their obligations set out in the Anti-Money Laundering Act and the Policy, in order to facilitate legitimate activities.

## Customer Due Diligence

In order to prevent money laundering and terrorist financing, the MBH Group makes every effort to be aware of the customer's activities and financial habits when establishing and maintaining a business relationship with a customer.

**Risk assessment**

The MBH Group conducts an internal risk assessment in accordance with the requirements of the Anti-Money Laundering Act, taking into account domestic and international economic conditions and customs, as well as known risk factors.

The MBH Group applies appropriate risk rating based on the business relationship or the nature and amount of the transaction order, as well as the customer, product, service, instrument used and geographical location. In the event of higher risk factors arising, enhanced customer due diligence and/or enhanced procedures are undertaken.

The MBH Group reserves the right to refuse to enter into any customer relationship, to terminate any existing customer relationship, and to refuse any transaction or transaction order if it is not in line with its risk appetite.

The MBH Group will not establish a customer relationship with:

* Shell banks,
* Foundations established abroad,
* Iranian nationals who do not have a documented Hungarian connection, such as: a permanent residence permit, a residence permit, an identity card issued by a Hungarian authority to a foreign national and an official certificate of residence or Hungarian citizenship,
* If the customer is a company whose shares include bearer shares - directly or indirectly, where it is not possible to verify and identify the beneficial owners,
* If the customer is a company where the shareholder is represented by a proxy.

Furthermore, as a general rule, MBH Group does not enter into business relationships with legal entities or unincorporated entities having their registered seat in a foreign country, which do not have a business connection, a contractual business partner or an activity in Hungary and only intend to use account management services.

The MBH Group reserves the right to request additional documentation when establishing a customer relationship for customers identified as high risk based on the internal risk assessment of the Bank in order to better understand the nature of the customer's business.

Sectors representing high risk:

* Undertaking engaged in organising games of chance,
* Business trust undertaking,
* Business trust legal relationship,
* Payment service provider,
* Service provider issuing electronic money,
* Financial service provider operating a payment system,
* Not-for-profit business company not owned by the State or municipality,
* A company engaged in the manufacturing or trading of dual-use items,
* An undertaking engaged in the production and/or trade of petroleum products,
* An undertaking trading in tobacco,
* An undertaking trading in precious metals,
* an undertaking engaged in the trade of cultural goods, goods carrying archaeological, historical, cultural, religious or major scientific value,
* an undertaking registered with a home provider,
* an undertaking with an excessively (unduly) complex ownership structure.

The following customer and product risks also represent high risk and are therefore subject to enhanced customer due diligence and/or enhanced procedures,

* A politically exposed person, a close relative of a politically exposed person or a person with a close (business) relationship with a politically exposed person,
* A customer relationship established by means other than personal appearance (on the basis of a copy of a document provided in the form of a public deed),
* Establishing a correspondent relationship (vostro/nostro, RMA),
* Customers using a bag deposit service,
* The customer’s registered office, place of business, branch office address, correspondence address, place of activity, nationality, the country of birth or residence/residence of the beneficial owner or managing director of the customer is in Russia or one of the successor states of the Soviet Union.

The MBH Group does not maintain a business relationship with customers that pose a reputational risk and only has business relationships with customers who use its products for legitimate purposes only and whose identity can be determined and verified beyond reasonable doubt.

Reputational risks include, but are not limited to, a natural person, legal entity or unincorporated entity that:

* intentionally violates statutes, rules or procedures designed to prevent financial crime or has a deliberate reckless disregard to the same,
* Uses their bank account with the Bank for money laundering or terrorist financing, fraud or any other illegal purpose;
* Engages in any business activity that may be construed as a tax or other criminal offence,
* is known to engage in any of the following activities, or their account reflects signs indicating any of the following:
  + Arms trafficking (without any background related to the Hungarian State),
  + Drug-related activities,
  + Use of an account with the Bank as a "Payable through account",
  + Pornography, "adult entertainment" activities,
  + Activities related to smuggling,
  + Activities related to illegal gambling,
  + Trading in protected species,
  + Ivory trafficking,
  + Child labour activities,
  + Trafficking in "blood diamonds.

The MBH Group has identified cash transactions as a high risk, in particular cash flows of large volume or high intensity, and therefore controls such flows with increased vigilance.

The MBH Group revises its procedures and in-process controls on a regular basis in order to effectively manage new risks arising along with the change of international trends.

**AWARENESS**

All MBH Group employees are involved in activities aimed at the prevention of money laundering and terrorist financing. Employees are expected to recognise the possible signs of money laundering and terrorist financing and to act in accordance with the provisions of the law and the applicable internal regulatory documents if they become aware of any circumstances indicating money laundering or terrorist financing.

To ensure awareness, the MBH Group will organise mandatory training for all employees and will arrange for its proper documentation and assessment.

**SUPERVISION, MEASURES**

In its activities aimed at preventing money laundering and terrorist financing, the MBH Group will cooperate with the authorities and other official bodies acting as financial intelligence units.

**REGULATION**

The MBH Group will establish an internal regulatory document for its anti-money laundering and counter-terrorist financing activities in accordance with the applicable legal provisions, regulatory requirements, international standards, market best practices and the principles set out in the Policy. For that purpose, the MBH Group operates a control system, develops procedures, performs internal audits and conducts transaction investigations.

1. NBH Decree 26/2020 (25 August) on the detailed rules for the development and operation of the minimum requirements for the implementation of the Act on the Prevention and Combating of Money Laundering and Terrorist Financing for service providers supervised by the NBH and the Act on the Implementation of Financial and Asset Restriction Measures Ordered by the European Union and the United Nations Security Council [↑](#footnote-ref-1)