



PÉNZÜGYI SZERVEZETEK
ÁLLAMI FELÜGYELETE
HUNGARIAN FINANCIAL
SUPERVISORY AUTHORITY

*Ikt./Ref: 1
Contact: c
Subject: registration of branch
Enclosure: the notice of the National
Bank of Hungary

Budapest, "2" March 2011

Dr.

Deutsche Bank AG
Theodor-Heuss-Allee 70.
D-60486 Frankfurt am Main
Germany

Dear Dr (

The Hungarian Financial Supervisory Authority (HFSZ) has received written notification from the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) on the intent of **Deutsche Bank AG** to set up a branch unit in the territory of the Republic of Hungary in accordance with Directive 2006/48/EC in exercise of the freedom of settlement. The business activities of the intended unit would include those specified in points 1-10., 12-14. points of Annex 1 to Directive 2006/48/EC.

In view of the provisions laid out in Directive 2006/48/EC and in Article 32/A (6) of Act CXII of 1996 on Credit Institutions and Financial Enterprises, I am pleased to inform you that the notification of **Deutsche Bank AG** concerning the establishment of a branch unit in Hungary and the following data of the branch unit has been registered by the HFSZ, as follows:

Name of the branch unit:

Deutsche Bank AG Magyarországi Fióktelepe
Deutsche Bank AG Hungary Branch
Deutsche Bank AG Filiale Ungarn

Address of the branch unit:

1054 Budapest, Hold utca 27., Hungary

Executive managers of the branch unit:

Zoltán Kurlai General Manager,
Katalin Bóta Branch Manager
Ferenc Juhász Branch Manager

List of the activities to be carried out by the branch unit:

H-1013 Budapest, Krisztina krt. 39. H-1535 Budapest, 114., Pf.: 777. Tel.: (36-1) 489-9100 Fax: (36-1) 489-9102 www.pszaf.hu

*Kérjük válaszában hivatkozzon iktatószámunkra. Please, refer to our reference number in your response

I. Banking Services:

1. Acceptance of deposits and other repayable funds
2. Lending [including: consumer credit, mortgage credit, factoring (with or without recourse), financing of commercial transactions (including forfeiting)]
3. Financial leasing
4. Payment services as defined in Article 4 (3) of Directive 2007/64/EC of European Parliament and of the Council of 13 November 2007 on payment services in the internal market
5. Issuing and administering other means of payment (e.g. travellers' cheques and bankers' drafts) insofar as this activity is not covered by point 4
6. Guarantees and commitments
7. Trading for own account or for account of customers in:
 - a) money market instruments (cheques, bills, certificates of deposit, ect.)
 - b) foreign exchange
 - c) financial futures and options
 - d) exchange and interest-rate instruments
 - e) transferable securities
8. Participation in securities issues and the provision of services related to such issues
9. Advice to undertaking on capital structure, industrial strategy and related questions and advice as well as services relating to mergers and purchase of undertakings
10. Money broking
12. Safekeeping and administration of securities
13. Credit reference services
14. Safe custody services

II. Investment services and activities (Section A)

1. Reception and transmission of orders in relation to one or more financial instruments
2. Execution of orders on behalf of clients
3. Dealing on own account
5. Investment advice
6. Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis
7. Placing of financial instruments without a firm commitment basis

Ancillary services (Section B)

1. Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management
2. Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
3. Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
4. Foreign exchange services where these are connected to the provision of investment services
6. Services related to underwriting
7. Investment services and activities as well as ancillary services of the type included under Section A or B of Annex 1 related to the underlying of the derivatives included

under Section C – 5, 6, 7 and 10 – where these are connected to the provision of investment or ancillary services

Financial instruments (Section C)

1. Transferable securities
2. Money-market instruments
3. Units in collective investment undertakings
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event)
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or an MTF
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6. and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls
8. Derivative instruments for the transfer of credit risk
9. Financial contracts for differences
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognized clearing houses or are subject to regular margin calls.

In accordance with the regulation of the Directive 2006/48/EC and in Article 32/A (6) of Act CXII of 1996 on Credit Institutions and Financial Enterprises I would like to draw your attention to the rules and regulations of Act CXX of 2001 on the capital market and Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities.

The above mentioned and the following legal regulations are to be taken into account concerning the operation of a branch unit in Hungary.

Data provision

Decree No. 45/2008. (XII.31.) PM issued by the Minister of Finance concerning the range of data to be supplied by credit institutions and financial enterprises to the HFSA as well as the mode of data provision and Annex 1 to Decree No. 19/2010. (XII.10.) MNB – the National Bank of Hungary (NBH) – issued by the Governor of the NBH on the scope of data to be supplied for the Central Bank's information system and the method and deadline of data supply, contain lists of the data supplies to be provided, where the rules on the various data supplies also specify the entities that have to submit data.

Branch offices are required to disclose data to the HFSA according to the Decree No. 3/2010 (I.21.) PM issued by the Minister of Finance on a monthly, quarterly and occasional basis as well.

It should also be noted that the NBH has compiled a set of information for credit institutions intending to operate in Hungary in the form of branch units, containing information considered by the NBH to be useful and necessary for branch units. The supply of information is limited to relationships between the central bank and the branch unit deriving from the basic tasks of the central bank, and the document also specifies experts working as contact persons for each of the particular areas concerned.

An English language version of the NBH's notice is attached hereto.

The importance of fulfilling the data supply obligation prescribed in Decree No. 45/2008. (XII.31.) PM should also be noted along with the fact that if a branch unit joins the deposit insurance system of its own Member State and not that of the Hungarian scheme, it must produce a Hungarian language notice specifying the types of deposits insured by the deposit insurance fund, the degree (percentage) of insurance, the conditions of the payment of compensation and the regime of procedures to be followed in order to use the services provided by the deposit insurance system.

Money transmission activities

A branch unit is subject to the same effective regulations concerning money transmission activities as are all domestic credit institutions. Therefore, in regard to its money transmission activities performed in Hungary a branch unit is governed by the relevant Hungarian regulations.

Accordingly:

- the Act LXXXV of 2009. on Pursuit of the Business of Payment Services concerning payment transactions, cash transmission services and electronic means of payment applies to the branch unit as well,
- the rules laid out in Decree No. 18/2009. (VIII.6.) MNB by the Governor of the NBH on Payment Services Activities transactions apply to the branch unit on a mandatory basis.

Account keeping

Pursuant to Article 24 (3) of Act CXXXII of 1997 on Hungarian Branch Offices and Commercial Representative Offices of Foreign-Registered Companies in respect of demand for account keeping of branch units of credit institutions having their registered seats in EEA countries the NBH concludes bank account contracts with the branch units of the credit institutions registered in EEA countries, to the benefit of the credit institutions represented by such units. The contract is concluded on behalf of the branch unit by its legal representative.

According to Act LVIII of 2001 on the National Bank of Hungary the NBH is under obligation to open accounts for credit institutions (including branch units), i.e. the NBH has no discretionary power in this respect.

In regard of the business conditions of account keeping, commissions and fees, the NBH applies – in view of the principle of equal treatment – the same conditions with respect to foreign account owners and branch units in Hungary as to accounts kept for credit institutions having their registered seats in Hungary.

VIBER (real time gross settlement system) and BKR (interbank clearing system) membership does not automatically entail opening of an account with the central bank, because it requires meeting certain specific conditions (see annex and appendix to the NBH information brochure).

In the case of branch units of credit institutions of EEA countries participation in the domestic settlement and payment systems requires individual consideration from the aspect of whether the country concerned has transposed in its internal legislation Directive 98/26/EC on settlement finality in payment and securities settlement systems, which provides for the legally incontestable performance of orders already accepted as well as the protection of the collaterals covering the obligations of the system and its members in the case of an insolvency procedure against the transferor.

Participation in the VIBER system as direct members is provided by the NBH for credit institutions registered in EEA countries through their branch units in Hungary.

The pre-conditions for direct VIBER membership include:

- the account owner must have a bank account with the central bank that is suitable for settlements in VIBER,
- meeting the technical conditions of membership in the system,
- a written declaration by the legal manager of the bank establishing a branch unit concerning the fact that the provisions laid out in Article 10 ea-ec) of Act XXIII of 2003 on settlement finality in payment and securities settlement systems are fully complied with,
- the NBH makes decisions on the mode and scope of the satisfaction of the condition laid out in Article 10 ed) of the above Act on a case-by-case basis and in line with the purpose of the Act,
- signature of the Agreement between the members of the system concerning the implementation of the above Act.

In observance of the principle of equal treatment the NBH provides VIBER services for credit institutions and their branch units for the same charges as for members of the system having their registered seats in Hungary.

Where a branch unit intends to join the domestic payment and settlement systems indirectly, such branch unit joins the VIBER or the BKR system through a domestic credit institution that is a direct VIBER and BKR member, as its correspondent. The requirements concerning indirect VIBER and BKR participation are laid out in Annex and Appendix 2 to the NBH information brochure.

Intraday credit

In relation to VIBER membership and direct membership in the Interbank Clearing System (BKR) operated by GIRO Elszámolásforgalmi Zrt., intraday credit is provided by the NBH for credit institutions registered in EEA countries, through their branch units in Hungary.

One pre-requisite for the extension of such credit is that the member of the system has a securities account with KELER Központi Elszámolóház és Értéktár Zrt. and has a coverage of securities of types and of an amount accepted by the NBH blocked on such account, with the NBH specified as beneficiary.

Meeting the obligation to keep a reserve

The NBH's regulations on mandatory reserve are laid out in NBH Decree No. 10/2005 (VI.11.) MNB, those on the mandatory reserve rate are contained in NBH Decree No. 15/2008. (XI.24.) MNB. A branch unit of a credit institution having its registered seat in an EEA country qualifies as one obliged to keep a reserve as a branch unit in Hungary of a credit institution domiciled abroad, and the relevant obligations are laid out in the above decree.

Involvement in the scope of monetary policy partners

According to the above mentioned relevant legal regulation through its branch unit in Hungary a credit institution having its registered seat in an EEA country is – having met other general conditions – entitled to conclude transactions with the NBH in the same group of transactions as domestic banks are entitled to deal in. This means that, represented by its branch unit it is the credit institution having its registered seat in an EEA country is involved in the group of partners of NBH, i.e. the credit institution with its registered seat in an EEA country will be NBH's partner in transactions concluded with the credit institution's branch unit in Hungary. Other conditions to be met with respect to certain transactions are laid out in the Terms and conditions in the HUF and FX market of the NBH.

Accounting-related reporting and audit requirement

For branch offices operating in Europe, headquartered in a member state of the European Union, based on Article 154 of Act C of 2000 on Accounting and Article 27/A of Government Decree No. 250/2000. (XII. 24.) on The special provisions regarding the annual reporting and book keeping obligations of credit institutions and financial enterprises, the following publication requirements shall apply.

- In case of foreign businesses, the branch office is required to publish the official Hungarian translation of their annual reports including the auditor's opinion together with the auditor's report and deposit these with the court of registry through the business headquartered abroad (Article 27/A, Section (2) of Government Decree No. 250/2000).

- Furthermore, it is required to publish the following based on the data of the accounting system and the annual report audited by the auditor (Article 27/A, Section (4) of Government Decree No. 250/2000):
 - a) interest received (due) at the branch office, interest type revenues, revenues from securities, received (due) commission and fee income, net profit/loss on financial activities, other revenues from business operations, general administrative expenses, operating profit/loss;
 - b) average number of employees at the branch office;
 - c) all receivables of the business headquartered abroad arising in relation with the branch office, receivables from and payables to credit institutions and customers broken down, denominated in HUF;
 - d) government securities recorded at the branch office, receivables from credit institutions and customers, securities representing lending operations broken down by endorsable and investment securities, payables to credit institutions and customers, liabilities arising from issued securities, guaranteed (future) liabilities and contingent liabilities related to monetary instruments.

- The Hungarian branch office of a business headquartered abroad satisfies the publication requirement in case an original or official copy of the above detailed documents are sent to the Company Registry and Company Information Service of the Ministry of Justice upon depositing the documents at the Court of Registry (Article 154, Section (7) of Act C of 2000 on Accounting).

- The branch office is required to ensure that the affected parties could access and make copies of the annual report and the tax reports prepared by the branch office in line with Act C of 2000 on Accounting and the Government Decree No. 250/2000 (XII. 24.) (Article 27/A, Section (5) of Government Decree No. 250/2000).

- Article 154/B of Act C of 2000 on Accounting, which allows that depositing and publishing could be made electronically. In this regard, the provisions of Act V of 2006 on the register of companies, public company information and court registration proceedings, Act III of 1952 on the code of civil procedure, and Act CXXVII on the amendment of certain related acts shall apply.

Supervision

Branch units are subject to onsite and offsite supervision, primarily with respect to liquidity, Conduct of Business, consumer protection and money laundering. Where the HFSA finds any deficiency in the operation of a branch unit, it proceeds in line with the relevant EU and national regulations.

It should also be noted that in its operations a branch unit take into account all the relevant provisions that have not been listed in this notice. In the course of the mentioned Hungarian legal provisions the Hungarian versions of the regulations should be considered.

In the case of non-compliant operation of a branch unit the HFSA may take the following actions

According to Article 168/A of the Act CXII of 1996 on Credit Institutions and Financial Enterprises if a branch unit breaches legal regulations in effect in Hungary or if the HFSA

finds irregularities in its operation, the HFSA calls on the branch unit to terminate the irregularity.

If the branch unit fails to fulfil the instruction the HFSA notifies the supervisory authority of the home member state of the entity about the irregularity, and it requests that such supervisory authority takes the necessary action.

The HFSA may take action directly – without notifying the supervisory authority of the home member state – if it considers that the irregularity on hand is gravely jeopardising the stability of the monetary system or the interests of the customers. Such measures of the HFSA will be reviewed and its justification will be assessed in retrospect by the European Commission.

Payment of supervisory fee

A branch unit must pay a supervisory fee, its amount is specified in Article 139/A (4) point c) and (8) of the Act CXII of 1996 on Credit Institutions and Financial Enterprises.

Yours sincerely,

Managing Director