



ANNOUNCEMENT

On the due diligence and reporting rules applicable to clients, specified in Act XXXVII of 2013 on Certain Rules of International Public Administration Cooperation Related to Taxes and Other Public Duties (hereinafter: Tax Cooperation Act)

Effective from: 1 January 2016

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In October 2014 Hungary committed to applying the multilateral Competent Authority Agreement and Common Reporting Standard (hereinafter: **CRS**) on the automatic exchange of financial account information, developed by the OECD.

Thereafter, the Council of the European Union prescribed the application of the rules related to CRR in the form of a directive (Council Directive of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (hereinafter: **DAC2**)).

Pursuant to the provisions of **Act XXXVII of 2013** on Certain Rules of International Public Administration Cooperation Related to Taxes and Other Public Duties (hereinafter: Tax Cooperation Act), effective from 1 January 2016, the domestic financial institutions are obliged to submit the taxpayers of the countries that committed to applying the CRS to a taxation due diligence procedure and report the result thereof to the tax authority of the country of their tax residence via the NTCA.

The list of the countries that committed to applying the CRS (hereinafter: Participating Jurisdictions) – also included at the end of this Announcement – is attached as **Annex 1 to Act CXC of 2015** on the Promulgation of the Multilateral Agreement between the Competent Authorities on the Automatic Exchange of Financial Account Information.

In view of the foregoing, starting from 1 January 2016 OTP Bank will perform the taxation due diligence review of all new clients and start the due diligence review of its existing clients.

Declaration

Upon opening a new account for account holders that on 31 December 2015 had no valid bank account (payment or savings account) or securities account (hereinafter: account) with the Bank, **the account holder's residence for tax purposes must be established.**

The new account holder Client must, without exception, must make a written declaration as to the fact whether or not the business organisation or its beneficial owner is a foreign resident for tax purposes.

The Bank will not establish contractual relation with clients refusing to make the declaration. If in relation to the declaration the Bank learns or has a good reason to assume that the original declaration is erroneous or unfounded, the Bank will obtain a valid declaration from the Account Holder based on which the Account Holder's residence for tax purposes can be established.

Account holders that already had a valid bank account with OTP Bank on 31 December 2015 must make a declaration only if they receive a specific request from the Bank to this effect. In this case the declaration may also be made by submitting the form downloaded from the website of OTP Bank. The declaration can be download from here:
<https://www.otpbank.hu/portal/hu/Kondiciok>

The declaration with the authorised signature of the Account Holder must be sent to the account-keeping branch, the address of which is shown in the bank account statement. The client's declaration in the form of a private deed of full probative value, may be sent to the Bank by ordinary post (irrespective whether the client is in Hungary or abroad). In the case of clients staying abroad, the Bank may request the Client in respect of any instrument to submit it in the form a notarised public instrument, or an instrument with Apostille certificate or authenticated/legalised by Hungary's diplomatic mission abroad.

Account holders to be reported

OTP Bank is obliged to report its new Legal Entity clients to the National Tax and Customs Administration (hereinafter: NTCA) **in two cases**.

1. When the account holder is an Active or Passive Non-financial Entity, and resident for tax purposes in one of the countries listed in the annex hereto (hereinafter ***Participating Jurisdiction***). The country of residence for tax purposes is **typically the country of the business organisation's registered office**. Departure from this principle may occur in the following cases:
 - the residence for tax purpose is determined by the place of business administration, and this is in a country other than the country of the registered office;
 - the organisation operates as a branch office;
 - the organisation transferred its registered office to another country, and it did not affect the residence for tax purposes.

When the account holder client is resident for tax purposes in a Participating Jurisdiction, the account holder must provide its tax identification number in the Participating Jurisdiction.

2. When the beneficial owner of the client qualifying as a Passive Non-financial Entity (see later) is resident for tax purposes in a Participating Jurisdiction. In this case **the representative of the account holder must provide the beneficial owner's tax identification number and date of birth, in the absence of which the Bank will not establish a contractual relationship with the client.**

Any beneficial owner may have several residences for tax purposes, thus the declaration may contain more than one residence for tax purposes. The Bank is obliged to report to NTCA the beneficial owner only when he belongs to Passive Non-financial Entities and is resident for tax purposes in a Participating Jurisdiction.

Reporting to the tax authority of the Participating Jurisdiction

When the account holder or at least one beneficial owner of a Passive Non-Financial Entity is resident for tax purposes in a Participating Jurisdiction, the Bank – starting from 30 June 2017 – will send annual reports to NTCA with the data content specified in the relevant law.

The Bank will notify the client of the fact of the reporting in writing within 30 days after submitting the data to NTCA.

If the client or at least one beneficial owner is resident for tax purposes in the USA, then please see the Notice on FATCA and proceed accordingly.

Starting from 1 January 2016 reporting to NTCA may take place in the case of residence for tax purposes in the following countries, **in addition to the USA**. The list may be supplemented in the future.

PARTICIPATING JURISDICTIONS:

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|----------------------------|--------------------|--------------------------------------|
| 1. Albania | 26. France | 51. Marshall Islands |
| 2. Anguilla | 27. Ghana | 52. Mauritius |
| 3. Antigua and Barbuda | 28. Gibraltar | 53. Mexico |
| 4. Argentina | 29. Greece | 54. Montserrat |
| 5. Aruba | 30. Grenada | 55. Germany |
| 6. Australia | 31. Guernsey | 56. Republic of Niue |
| 7. Austria | 32. Netherlands | 57. Norway |
| 8. Barbados | 33. Croatia | 58. Italy |
| 9. Belgium | 34. India | 59. Portugal |
| 10. Belize | 35. Indonesia | 60. Romania |
| 11. Bermuda | 36. Ireland | 61. Saint Lucia |
| 12. British Virgin Islands | 37. Iceland | 62. Saint Vincent and the Grenadines |
| 13. Bulgaria | 38. Japan | 63. Samoa |
| 14. Chile | 39. Jersey | 64. San Marino |
| 15. Cyprus | 40. Cayman Islands | 65. Seychelles |
| 16. Cook Islands | 41. Canada | 66. Sint Maarten |
| 17. Costa Rica | 42. Colombia | 67. Spain |
| 18. Curaçao | 43. Korea | 68. Switzerland |
| 19. Czech Republic | 44. Poland | 69. Sweden |
| 20. Denmark | 45. Latvia | 70. Slovak Republic |
| 21. South Africa | 46. Liechtenstein | 71. Slovenia |
| 22. United Kingdom | 47. Lithuania | 72. Turks and Caicos Islands |
| 23. Estonia | 48. Luxembourg | 73. New Zealand |
| 24. Faroe Islands | 49. Malta | |
| 25. Finland | 50. Isle of Man | |

Active Non-financial Entity: all Non-financial Entities that satisfy any of the conditions below:

1. less than 50 per cent of its gross income for the preceding tax year is passive income and less than 50 per cent of the assets held by the Non-financial Entity during the preceding tax year are assets that generate or are held for generating passive income;
2. its shares are regularly traded in an established securities market or it is the Related Entity of an Entity the shares of which are regularly traded in an established securities market;
3. it is a Governmental Entity, an International Organisation, a Central Bank, or an Entity wholly owned by one or more of the foregoing Organisations/Entities;
4. substantially all of its activities is related to holding (in full or in part) the outstanding stock of, or providing financing and services to, one or more subsidiaries that engage in trades or businesses other than the business of a Financial Institution, with the proviso that the Entity does not qualify as an Active Non-financial Entity if it functions as or with the designation of an investment fund, including private equity funds, venture capital funds, funds specialised in leveraged buyout, or any investment vehicle the purpose of which is to acquire or finance companies and then hold interests in those companies as capital assets for investment purposes;
5. at present it pursues no activity and has not pursued any activity earlier either, but it is investing capital into assets with the intention to operate a business other than that of a Financial Institution, provided that 24 months after its foundation it no longer satisfies this condition;
6. it has not been a Financial Institution in the last five years preceding the tax year, and it is in the process of liquidating its assets or reorganising its activity in order to continue or restart operations other than those of a Financial Institution;
7. it is primarily engaged in financing and hedging transactions with, or for the benefit of Non-Financial Institution Related Entities, provided that the group of the said Related Entities primarily pursues activities other than those of a Financial Institution; or
8. it satisfies all of the following requirements:
 - ha) it was established and is operated in the Member State or other state of its residence or in another jurisdiction based on its residence exclusively for religious, charitable, scientific, artistic, cultural, sports or educational purposes or it was established and is operated in the Member State or other state of its residence or in another jurisdiction based on its residence and it is a professional organisation, industrial association, chamber of commerce, employee organisation, agricultural or horticultural organisation, civil organisation or an organisation operating solely for the purpose of promoting social welfare;
 - hb) it is exempted from income tax in the Member State or other state of its residence or in another jurisdiction based on its residence;
 - hc) it has no shareholders or members who have a proprietary or beneficial interest in the Entity's income or assets;
 - hd) the applicable laws of the Member State or other state of its residence or another jurisdiction based on its residence or its articles of association do not permit that any income or assets of the Entity is distributed to, or applied for the benefit of a private person or a non-charitable Entity, except when this takes place within the framework of the charitable activities pursued by it, or paid as a reasonable compensation for services rendered, or as payment representing the fair market value of a property purchased by the Entity; and
 - he) the applicable laws of the Member State or other state of its residence or another jurisdiction based on its residence or its articles of association prescribe that

upon its liquidation or dissolution all of its assets should be distributed to a Governmental Entity or other non-profit organisation, or to the government or any administrative subdivision of the Member State or other state of its residence or another jurisdiction based on its residence.

Passive Non-financial Entity:

- a) a Non-financial Entity that is not an Active Non-financial Entity; or
- b) an Investment Entity the business activity of which comprises of the following activities and operations performed for or on behalf of its clients:
 - aa) trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.); foreign currency; exchange rate, interest rate and index-based instruments; transferable securities; or commodity futures trading;
 - ab) individual and collective portfolio management; or
 - ac) otherwise investing or managing financial assets on commission basis;

AND it is not the Financial Institution of any Participating Jurisdiction, or

- c) an Investment Entity the gross income of which is primarily earned by investing, reinvesting or trading in Financial Instruments, provided that the Entity is managed by another Entity that is a Depository Institution, a Custodian Institution, a Specified Insurance Company **and** that is not the Financial Institution of any Participating Jurisdiction.

International Organisation: any International Organisation, or an agency or body wholly owned by it. This includes any intergovernmental organisation (including supranational organisations)

- a) comprised primarily of governments;
- b) that have an effective seat agreement with Hungary; and
- c) the income of which does not devolve upon private individuals.

Central Bank: is the institution – with the exception of the government of Hungary – that issues instruments circulated as means of payment based on a law or government decree. A body separated from the Government of Hungary, irrespective whether it is owned in part or in full by Hungary, may form part of the Central Bank.

Financial Institution: any Custodian, Depository Institution, Investment Entity or Specified Insurance Company.

Custodian: any Entity that, as an essential part of its business activity, holds Financial Instruments available for the account of others. This activity is performed when at least 20 per cent of the Entity's gross income realised from the holding of Financial Instruments and the providing of related financial services is generated during the shorter of the following two periods:

1. a three-year period ending on 31 December of the year preceding the tax year when the assessment of the activity is performed; or
2. the duration of the Entity's existence.

Depository Institution: an Entity that accepts deposits as part of its usual banking or similar business activity

Investment Entity: an Entity,

1. the business activity of which comprises primarily of the following activities and operations performed for or on behalf of its clients:
 1. trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.); foreign currency; exchange rate, interest rate and index-based instruments; transferable securities; or commodity futures trading;
 2. individual and collective portfolio management; or
 3. otherwise investing or managing financial assets on commission basis;
2. the gross income of which is primarily earned by investing, reinvesting or trading in Financial Instruments, provided that the Entity is managed by another Entity that is a Depository Institution, a Custodian Institution, a Specified Insurance Company or an Investment Entity referred to in subsection a) of Section A/6.
3. The business activity of an Entity comprises of the activity mentioned in subsection a) of Section A/6, and for the purpose of subsection b) of Section A/6 the gross income of an Entity originates primarily from investment, reinvestment or trading in Financial Instruments, if the gross income of the Entity from the respective activity accounts for at least 50 per cent of its full gross income generated during the shorter of the following two periods:
 1. a three-year period ending on 31 December of the tax year preceding the tax year when the assessment of the activity is performed; or
 2. the duration of the Entity's existence.
4. The notion of the Investment Entity does not include the Active Non-financial Entity satisfying any of the conditions stipulated in subsection d)-g) of Section D/8. (Section VIII.A.3 of Annex 1 to the Tax Cooperation Act)

Beneficial owner: is the natural person who:

1. possesses, directly or indirectly, at least 25 per cent of the votes or the ownership interest in a legal entity or other organisation, or
2. has a qualifying holding*, or
3. for the benefit of whom the legal entity or other organisation submitted the transaction order.

If based on the above the beneficial owner cannot be determined, the executive officer shall qualify as beneficial owner. For more detailed information on the notion of "beneficial owner" please see www.otpbank.hu/tenylegestulajdonos.