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File number: 1412-203/2021

Contact:
Subject: Conclusion of a thematic review conducted at OTP Bank Plc. involving the imposition of measures and a fine.

Resolution number: H-PM-I-B-34/2021

Based on the findings of a thematic review conducted at **OTP Bank Plc**. (registered office: 1051 Budapest, Nádor utca 16., company registration number: 01-10-041585) ("the Company") performed by the **National Bank of Hungary** ex officio (registered office: 1013 Budapest, Krisztina körút 55; business premises: 1122 Budapest, Krisztina körút 6.) ("MNB"), the MNB passes the following

Resolution

I. The MNB warns the Company that:

1. it shall at all times fully comply with applicable legal requirements in the course of its activities relating to the prevention and deterrence of money laundering and terrorist financing;
2. in order to ensure compliance with legal requirements, it shall continuously monitor and apply in practice the risk-mitigation and risk-management measures set out in the legal provisions regarding the prevention of money laundering and terrorist financing.

II. In order to ensure full compliance with statutory requirements, MNB requires the Company to continuously -during the course of its operations-, but no later than 19 April 2022:

1. continuously monitor the business relationship with the client, and establish a system of internal rules and a supporting IT system that ensures, at all times, the screening of clients posing a risk regarding money laundering and terrorist financing, as well as the identification of unusual transactions;
2. review its reporting practices and establish an internal regulatory framework ensuring that, whenever any data, fact, or circumstance serving as the basis for a report arises, reports—as well as follow-up reports—are fully and promptly filed and transmitted to the financial intelligence unit;
3. implement measures to fulfill its reporting and re-reporting obligations that improve the effectiveness of its control environment;
4. ensure the availability of human resources with appropriate professional expertise to make full and prompt notifications;
5. review the practice of obtaining proof of the source of funds, and establish an internal regulatory framework and control environment that ensures the collection of information regarding the source of funds—beyond the mandatory cases prescribed by law—in compliance with the legal provisions against money laundering and terrorist financing in force at any given time, using a risk-sensitive approach, including for clients deemed high-risk by the service provider;
6. review its monitoring practices and establish an internal regulatory framework and control environment that ensures, at all times, the analysis and evaluation—within the deadlines prescribed by applicable legislation on anti-money laundering and countering the financing of terrorism—of clients or transactions flagged by the screening system, and, where necessary, make a report to the financial intelligence unit without delay;
7. introduce the mandatory screening conditions specified in the legal provisions, furthermore, following the activation of the mandatory screening criteria, conduct—retroactively to January 1, 2021—an additional screening of clients and transactions based on the newly introduced criteria, as well as the analysis and evaluation of any client or transaction flagged by the screening system within the statutory deadline, and where necessary, make a report to the financial intelligence unit without delay.

III. The MNB obliges the Company to have its internal audit department conduct an audit by May 19, 2022, in order to ensure that:

1. the established internal system of rules and the supporting IT system ensure the screening of clients and unusual transactions that pose a risk regarding money laundering and terrorist financing;

2. the reporting practice and the established system of internal rules ensure—in the event that data, facts, or circumstances serving as the basis for a report arise—the comprehensive and prompt submission and transmission of reports (including follow-up reports) to the financial intelligence unit;
3. the measures introduced to fulfill the notification and re-notification obligations improve the effectiveness of the Company's control environment;
4. human resources with appropriate professional expertise are available to ensure the full and prompt submission of notifications;
5. the practice of obtaining proof of the source of funds, as well as the established internal regulatory framework and control environment, ensure the collection of information regarding the source of funds—beyond the mandatory cases prescribed by law—in accordance with applicable legal provisions on anti-money laundering and countering the financing of terrorism, using a risk-sensitive approach, even for clients deemed high-risk by the service provider;
6. the monitoring practice and the established system of internal rules and control environment ensure the analysis and evaluation—within the time limits prescribed by applicable legislation on anti-money laundering and countering the financing of terrorism—of clients or transactions flagged by the screening system, as well as the submission of reports to the financial intelligence unit where necessary,
7. the Company has implemented the mandatory screening criteria specified in legal provisions and, following the activation of the mandatory screenings, it has performed a retrospective screening of clients and transactions—dating back to January 1, 2021—using the newly introduced screening criteria, the analysis and evaluation—within the statutory deadline—of the client or transaction flagged by the screening system, and whether a report was submitted to the financial intelligence unit without delay where deemed necessary.

IV. **The MNB requires the Company, as part of an extraordinary data submission, to submit to the MNB by May 31, 2022,** the internal audit reports—discussed by the Board of Directors and approved by the Supervisory Board—and the underlying documentation, certifying the comprehensive verification (conducted in accordance with Point III of the operative part of this decision) of compliance with the requirements set out in Point II of the operative part of this decision, as well as the proper implementation of the measures specified in said points.

V. **The MNB imposes a consumer protection fine on the Company:**

1. in the amount of HUF 15.000.000,- HUF,- (i.e. fifteen million Hungarian forints) due to violating the legal provision referred to in point I. of the reasoning of this decision,
2. in the amount of HUF 6.250.000,- HUF (i.e. six million two hundred and fifty thousand Hungarian forints) due to violating the legal provision referred to in point II. of the reasoning of this decision,
3. in the amount of HUF 5.000.000,- HUF,- (i.e. five million Hungarian forints) due to violating the legal provision referred to in point III. of the reasoning of this decision,
4. in the amount of HUF 3.125.000,- HUF,- (i.e. three million one hundred and twenty five thousand Hungarian forints) due to violating the legal provision referred to in point IV. of the reasoning of this decision,
5. in the amount of HUF 2.500.000,- HUF,- (i.e. two million five hundred thousand Hungarian forints) due to violating the legal provision referred to in point V. of the reasoning of this decision,
6. in the amount of HUF 1.875.000,- HUF,- (i.e. one million eight hundred and seventy five thousand Hungarian forints) due to violating the legal provision referred to in point VI. of the reasoning of this decision,

<u>in total</u> the MNB imposes a consumer protection fine on the Company in the amount of 33.750.000,- HUF (i.e. thirty-three million seven hundred and fifty thousand Hungarian Forints).

The Company is required to publish the operative part of this decision on its website, in accordance with the provisions of the management letter bearing reference number 1412-212/2021.

No procedural costs have incurred during the audit procedure.

The imposed fine has to be paid to the account number 19017004-01678000-30900002 of the MNB within 30 days after the resolution becoming enforceable by indicating "supervisory fine" as a comment and the number of the resolution. In the absence of the voluntary payment of the fine, the rules of administrative enforcement are applied. In the event the deadline for the payment of the supervisory fine is missed, default interest will be charged, the extent of which will be calculated at the rate of 365th of the double of the central bank rate in effect on the date of imposition after every calendar day following the date of imposition. The default interest has to be paid to the cited account of the MNB by indicating the number of the resolution and the comment “default interest”. The legally imposed and unpaid fine, as well as default interest charged due to the unpaid or delayed fine, will be collected by the state tax authority in the same way as taxes.

No appeal can be made against the resolution, however the person whose right or legitimate interest is directly affected by the public administration activity, may, within 30 (thirty) days from the notification, file an administrative lawsuit against the decision with a letter of claim against the decision before the Budapest Capital Regional Court.

The application shall be submitted to the MNB addressed to the Budapest-Capital Regional Court. (The assistance service of form’s submission: https://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/hatarozatok-es-vegzesek-keresese.).Legal representation is mandatory.

The submission of the application has no suspensory effect on the entry into force of the decision, however, the person whose right or legitimate interest is violated by the administrative activity or the maintenance of the situation caused by it, can request immediate legal protection in order to eliminate the directly threatening disadvantage, to temporarily settle the disputed legal relationship, or to maintain the situation that gave rise to the legal dispute unchanged.

The court will, as a general rule, decide the trial out of court. A hearing shall be held, if so requested in the application by the plaintiff. Failure to request a hearing cannot be justified.

During the period of the state of danger however - declared in Section 1 of Government Decree 27/2021 (I. 29.) on the declaration of a state of danger and the entry into force of measures related thereto, - special rules apply to court proceedings, and in particular to the holding of hearings.

Dated: Budapest, 21st December, 2021,

ELECTRONICALLY SIGNED DOCUMENT