**Supervisory Disclosure Based on Point u) of Section 43(2) of Act CXXXIX of 2013 on the Central Bank of Hungary**

*(transposition of Art. 51(2) of the IORP II Directive)*

1. **The Main Objective of Prudential Supervision of Institutions for Occupational Retirement Provision (“IORPs”)**

**Objectives of Supervision**

Without prejudice to its primary objective, the Central Bank of Hungary (Magyar Nemzeti Bank, “MNB”) maintains the stability of the financial intermediary system, increases its resilience and ensures its sustainable contribution to economic growth, while at the same time supporting the economic policy of the Government and its policy related to environmental sustainability using the means at its disposal.

**Main Functions of Supervision**

The MNB supervises the financial intermediary system with a view to:

1. ensuring the smooth, transparent and efficient functioning of the financial intermediary system;
2. facilitating the prudent operation of the persons and organizations comprising the financial intermediary system and overseeing the prudent exercise of owners’ rights;
3. discovering undesirable business and economic risks threatening individual financial organizations or individual sectors of financial organizations, mitigating or eliminating existing individual or sector-related risks, and taking preventive measures with a view to ensuring the prudent operation of individual financial organizations;
4. protecting the interests of parties using the services rendered by financial organizations and strengthening public confidence in the financial intermediary system.

For further details, please see Chapter V, Part Two of Act CXXXIX of 2013 on the Central Bank of Hungary (“MNB Act”).

**Main Areas of Ongoing or Planned Supervisory Activities**

Priority aspects of the MNB's supervisory activities in 2023 regarding the pension fund and IORP sectors:

1. Examining the long-term sustainability of the operations of the funds, with particular attention to the ability to respond to external environmental impacts and to the level of resources available for operations in accordance with the MNB's prudential expectations;

2. Integration of environmental sustainability into the investments and operations of the funds;

3. Exploring the use of artificial intelligence;

4. Use of cloud services.

1. **Information on Supervisory Review Process**

**Approach of the Supervisory Review Process**

The MNB applies a risk-based, forward-looking, proportionate supervisory approach in its supervisory reviews. The aim is to ensure that supervisory processes and practices in the supervisory review lead to consistent outcomes. Measures are taken on a case-by-case basis, with consideration of the specific aspects of the IORP concerned, domestic market conditions and other supervisory priorities. In this context, the MNB ensures

* that the supervisory review is composed of three sub-processes: risk assessment framework, detailed review and supervisory measures;
* the consistency of supervisory review;
* the application of the proportionality principle in supervisory review;
* supervisory assessment at all stages of the supervisory review;
* appropriate and continuous communication between the MNB and the IORP's staff throughout the supervisory review.

**Frequency of the Supervisory Review Process**

Based on Section 64(2) of the MNB Act, the MNB conducts a comprehensive review at IORPs at least every five years.

**Main Legal Acts Defining the Content Criteria for the Supervisory Review Process**

* Act CXXXIX of 2013 on the Central Bank of Hungary
* Act CXVII of 2007 on Occupational Retirement Pension and Institutions for Occupational Retirement Provision
* Act LXXXVIII of 2014 on the Business of Insurance
* Act C of 2000 on Accounting
* Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing
* Act XLVII of 2008 on the Prohibition of Unfair Business-to-Consumer Commercial Practices
* Government Decree No. 461/2015. (XII. 29.) on the Calculation of the Solvency Requirements of Institutions for Occupational Retirement Provision
* Government Decree No. 399/2007. (XII.27.) on the Specificities of Annual Reporting and Accounting Obligation of Institutions for Occupational Retirement Provision
* MNB Decree No. 54/2022. (XII. 2.) on Data to be Provided to the Central Bank Information System by the Pension Funds and Institutions for Occupational Retirement Provision as Data Reporting Obligations Primarily for the Purpose of Fulfilling the Central Bank of Hungary’s Supervisory Tasks

The above Acts are available in English [HERE](https://www.mnb.hu/en/supervision/regulation/legislation), while the [Government Decrees](https://www.mnb.hu/felugyelet/szabalyozas/jogszabalyok/egyeb-magyar-jogszabalyok) and [MNB Decree](https://www.mnb.hu/felugyelet/szabalyozas/jogszabalyok/mnb-rendeletek) are only available in Hungarian.

1. **Aggregate Statistical Data on Key Aspects of the Application of the Prudential Regulations (Requirements) and Related Analysis**

The MNB (as the home authority) currently supervises one IORP in the Hungarian market; statistical data on its operations cannot be disclosed due to the protection of individual data, confidential occupational pension information and business secrets.