

<p>Leadership Commitment</p> 	<p>Description of Money Laundering</p> 	<p>AML Policy/ Procedure</p> 	<p>Description of Corruption</p> 
<p>Anti-Corruption Policy/Procedure</p> 	<p>Risk Management</p> 	<p>Quality of Investigation</p> 	<p>Cooperation with Authorities</p> 
<p>Compliance Training</p> 	<p>Tailored Training</p> 	<p>Review of the Program</p> 	<p>Incentive Scheme</p> 
<p>Support and Protection (to employees' denial of unethical acts)</p> 	<p>Non-Retaliation (against whistleblowing)</p> 	<p>Multiple Whistleblowing Channels</p> 	

# Bank Transparency in Hungary

Transparency of Anti-Corruption and Anti-Money Laundering Policies, Investigations, Training, and Whistleblowing in Major Banks in Hungary

YUSUKE ISHIKAWA

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Research Internship Report

by

YUSUKE ISHIKAWA



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Author: Yusuke Ishikawa

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## Summary

### Transparency of ABC and AML Policies in Major Banks in Hungary

- HIGH (1.5-2 points): High transparency and active implementations
- MIDDLE (1.0-1.49 points): Not sufficient level of transparency or active implementations
- LOW (0-1 points): Low transparency or non-active implementations

Rank	Country	Name	Policy	Investigation	Training	Whistleblowing	Overall
1		Erste Bank	1.67	1	1.67	0.75	1.33
1		UniCredit	1.67	1	1.33	1	1.33
3		K&H Bank	2	1	0.67	0.5	1.27
4		OTP Bank	2	1	1	0.5	1.2
5		CIB Bank	1.67	0.5	1.33	0	1.0
6		MKB Bank	1.33	1	1.33	0	0.93
7		Raiffeisen Bank	1.16	0.5	1.33	0.25	0.87
8		Budapest Bank	1	0	0.67	0	0.53
9		Takarek Bank	0.33	0.5	0	0	0.2

















### Why Corruption and Money Laundering Matters

**Corruption is one of the most serious global issues.** While practitioners in private companies, civil society organizations, and international organizations have actively engaged in corruption-reduction efforts in Europe and beyond over the last few decades, these reforms have not been satisfactory. For example, 18 percent of Hungarian citizens “know someone who takes or has taken bribery” (p. 71); the Hungarian government is regularly criticized by both academics and civil society organizations for the state capture of public procurement (e.g., Transparency International Hungary, 2020).

**Regarding the banking sector, there is another serious issue—money laundering—on top of corruption and bribery.** Globalization has enabled criminals to more easily launder money through placement, layering, and integration. According to the U.S. Department of State (2016), Hungary’s “primarily cash-based economy and well-developed financial services industry make it attractive to foreign criminal organizations” (para. 1). Evidently, both corruption and money laundering are serious issues in financial institutions in Europe, particularly in Hungary.

## How to Fight against Corruption and Money Laundering

The literature on corruption and money laundering suggests that there are four key components for major banks in Hungary to consider in the fight against corruption and money laundering: clear and detailed relevant policies; strict and smooth internal and legal investigations; general and tailored training; and whistleblowing. This report evaluates the nine banks in Hungary with the greatest assets (based on the most recent market assessments): Budapest Bank, CIB Bank, Erste Bank, K&H Bank, MKB Bank, OTP Bank, Raiffeisen Bank, Takarek Bank, and UniCredit Bank. Fifteen questions about the four principles among these nine banks were scored as “High” (2 points), “Middle” (1 point), or “Low” (0 points). In terms of data collection, this report relied on publicly available sources from the banks’ English-language and local websites as well as Wolfsberg Questionnaires.

Leadership Commitment 	Description of Money Laundering 	AML Policy/ Procedure 	Description of Corruption 
Anti-Corruption Policy/Procedure 	Risk Management 	Quality of Investigation 	Cooperation with Authorities 
Compliance Training 	Tailored Training 	Review of the Program 	Incentive Scheme 
Support and Protection (to employees' denial of unethical acts) 	Non-Retaliation (against whistleblowing) 	Multiple Whistleblowing Channels 	

## Findings: Score Comparison

The key results of scorings and discussions are:

- Although the average of overall scores for international banks with headquarters in other countries was slightly higher than for banks with headquarters in Hungary, the extent of transparency depends on each bank (as illustrated in the table of page 3): two Hungarian banks—Erste Bank and OTP Bank—scored relatively high while an international bank—Raiffeisen Bank—received low scores.
- The variance of scores among international banks is narrower than it is among Hungarian banks.
- Regarding the comparison among the four key components, while banks disclose their anti-corruption and/or anti-money laundering policies, they generally do not have sufficient whistleblowing procedures in place to ensure that there are incentive

schemes to protect and support whistleblowers. (as illustrated in the figure of page 4; Red indicates the lowest average while blue indicates the highest average).

### **Findings: Nuanced Differences between the Banks**

Also, three further differences were revealed.

- First, there are differences in the international standards/guidelines on which the banks' policies are based. However, there is no evidence from the comparison that any of these particular international standards/guidelines help more than others. It is likely more important to simply follow a body of international standards/guidelines than it is to follow any specific one.
- Second, regarding the procedures on gifts and hospitality, few companies require the outright rejection of all gifts and hospitality. Rather, most of the companies that scored "high" just specify the threshold per party per year (see the citations below).
- Third, while most of the companies with a "high" score merely specify which area companies take as a risk, some companies disclose more information on the risk assessment. The comparison of these companies suggests that their focuses are slightly different: some focus more on country risk while others consider more factors as risk factors.

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*Customary gifts, for business purposes, may be given and accepted; however, the total monetary value of gifts given or accepted within one quarter must not exceed HUF 50,000*

OTP Bank Code of Conduct, n.d., p.7

“

*We are committed to that no gift may be requested or provided, irrespective of its value, as a condition of business relationship or in the hope of receiving any benefit.*

Erste Bank Code of Ethics, n.d., p.8

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## **Findings: Additional Research**

Additional research was also conducted through a Skype interview to understand the differences between published information and internal information. The key findings from this interview are as follows:

- Banks' internal anti-corruption and anti-money laundering policies/procedures are more detailed than their public policies/procedures.
- The amount and extent of anti-money laundering training programs may differ from those of anti-corruption training programs due, in part, to differences in national legal requirements.
- In contrast to Western European countries, whistleblowing is not a common practice in Hungary due to its communist background.

## **Recommendation**

- Publish internal anti-corruption and anti-money laundering policies/procedures to the public in order to enhance transparency.
- Improve the quality of internal investigations through frequent reviews and enhance cooperation with law enforcement by clarifying the government's responsibilities.
- Improve the quality of compliance training through frequent reviews, periodic training, and tailored programs.
- Provide multiple whistleblowing channels.
- Ensure the protection of and non-retaliation against whistleblowers through anonymous surveys or other clearly stated means.
- Ensure that companies support and protect employees who refuse to act unethically.
- Introduce incentive schemes to promote ethical behavior and discourage corrupt activities.



# Table of Contents

**Summary.....3**

**Table of Contents.....7**

**Chapter 1: Introduction.....8**

**Chapter 2: Methodology.....16**

**Chapter 3: Evaluation and Discussion.....32**

**Appendix: Evaluation in Detail:.....45**



# Chapter 1: Introduction

## 1.1 Background

**Corruption is one of the most serious global issues.** According to the World Economic Forum (2018), the world loses 3.6 trillion dollars each year through bribes or other forms of corruption. While practitioners in private companies, civil society organizations, and international organizations have actively engaged in corruption-reduction efforts in Europe and beyond over the last few decades, these reforms have not been satisfactory. According to the Eurobarometer (2017), ten percent of EU citizens report “know(ing) someone who takes or has taken bribery” (p. 71). While the EU’s average Corruption Perception Index (CPI) score is higher than that of most other regions (European Commission, 2020), several EU member states still score below 50, including Hungary (44), Romania (44), and Bulgaria (43). For example, 18 percent of Hungarian citizens “know someone who takes or has taken bribery” (p. 71); the Hungarian government is regularly criticized by both academics and civil society organizations for the state capture of public procurement (e.g., Transparency International Hungary, 2020). It is clear that many European countries—particularly those with lower CPI scores, such as Hungary—must continue to implement policies to combat corruption.

**Regarding the banking sector, there is another serious issue—money laundering**—on top of corruption and bribery. Globalization has enabled criminals to more easily launder money through placement, layering, and integration. Bullough (2018) tellingly points to the “innovation” of offshore financing brought about by globalization:

Once upon a time, if an official stole money in his home country, there wasn't much he could do with it. He could buy himself a new car, or build himself a nice house, or give it to his friends and relatives, but that was more or less it. His appetites were limited by the fact that the local market could not absorb endless sums of money. [...] Offshore finance changes that. Some people call shell companies getaway cars for

## Bank Transparency in Hungary

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dodgy money, but - when combined with the modern financial system - they're more like magical teleporter boxes. If you steal money, [...] you stash it in your magic box, which spirits it away at the touch of a button, out of the country, to any destination you choose. (p.12)

**EU member states can be countries of origin, transit, or destination in the money laundering process.** First, they face the risk of becoming a country of origin in the money laundering process, though the risk for them is lower than it is for countries in other regions, such as Sub-Saharan Africa. Hungary specifically, however, according to the Council of Europe, “is primarily a country of origin and transit for victims of trafficking” (2016, p. 22). Second and third, EU member states face the risk of being a country of transit or destination in the money laundering process. A report from Transparency International UK on money laundering in the British property market (2016), for instance, clearly demonstrates this point. Hungary, in particular, is at risk of being a country of transit of money illegally earned from the drug trade or human trafficking (Council of Europe, 2016, p. 22).

Of the EU member states, Hungary is one of the most exposed to corruption and money laundering. Indeed, according to the CPI, Hungary is one of the most corrupt countries in the EU and is known as a transit country in the money laundering process. Transparency International Hungary and the U.S. Department of State evaluate the overall performance of anti-corruption and anti-money laundering efforts in Hungary, respectively, as follows:

**Hungary ranked as the second most corrupt EU country in 2019 [...], and remains last both among the new members that joined the EU in 2004 and the V4 countries.** Hungary's position has deteriorated significantly within the Central and Eastern Europe region: in seven years, it has slipped from the middle of the list to the penultimate, ninth position, tied with Romania (Transparency International Hungary, 2020, p.7)

**Hungary is not considered a major financial center; however, its EU membership and location make it a link between the former Soviet Union and Western Europe. The country's primarily cash-based economy and well developed financial services industry make it attractive to foreign criminal organizations.** (The US Department of State, 2016, para.1)

In sum, both corruption and money laundering are considered serious issues in Europe and globally—Hungary is no exception. In the next section, I discuss how to combat corruption and money laundering as well as how to determine appropriate scoring criteria to evaluate major banks in Hungary.

### **1.2 How to Fight against Corruption and Money Laundering**

The literature on corruption and money laundering suggests that there are four key components for major banks in Hungary to consider in the fight against corruption and money laundering: clear and detailed relevant policies; strict and smooth internal and legal investigations; general and tailored training; and whistleblowing.

#### **1.2.1 Policies: Clear and Detailed Relevant Policies**

Companies must provide the public with clear and detailed information on their anti-corruption and anti-money laundering policies. First, it must clarify definitions and types of corruption and money laundering, as employers and employees cannot properly grasp the whole picture of corruption and money laundering without an in-depth understanding of the two issues. If employees only partially understand the various types of corruption, they are less likely to appropriately respond to risks despite their company having relevant policies in place. Transparency International UK lists the forms of bribery as follows:

- Direct cash payments
- Excessive hospitality
- Bribery in the form of gift-giving
- Favors to friends or relations
- Facilitation payments
- Bribes disguised as charitable donations
- Bribes disguised as political donations

## Bank Transparency in Hungary

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- Bribes masked as commissions  
(Shipley, 2018; originally from Transparency International UK, 2014)

Clearly, corruption can take many forms; as such, companies must ensure that their employees are able to develop a comprehensive understanding of the risks.

Second, as 60 percent of Hungarian citizens think that gifts are acceptable (European Commission, 2017, p. 10), it is important for banks in Hungary to at least define the acceptable threshold for gifts per person per year. Of course, it is preferable for companies to reject gifts in their business altogether. However, given Hungarian perceptions and other index components (e.g., Defense Companies Anti-Corruption Index published by Transparency International Defense and Security), this report's scoring criteria (more details in chapter 2) does not require companies to entirely refuse gifts.

Third, it is essential for companies to publicly detail their policies which are authorized by the Company's Leadership in order to ensure a greater understanding among both employees and the public. Such announcements could describe their efforts in a variety of ways (e.g., an executive commitment against corruption and money laundering, documentation and record-keeping procedures, and risk assessments).

### **1.2.2 Investigation: Strict and Smooth Internal and Legal Investigation**

While Hungary has no specific anti-bribery laws, the government does regulate the functioning of banks and other financial institutions (e.g., Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises). For these laws to be effective, however, companies must conduct strict internal investigations and cooperate with law enforcement.

### **1.2.3 Training: General and Tailored Training**

Also, it is vital for all employees to take basic anti-corruption and anti-money laundering training; when necessary, certain employees can undergo tailored training that addresses specific risks. In addition, since criminal techniques and the necessary detection techniques

(especially for money laundering) evolve rapidly, these training programs must be updated on a regular basis (see, for example, Financial Task Force, 2014; Colladon & Remondi, 2017).

### 1.2.4 Whistleblowing

According to Westman (1991), there are two forms of whistleblowing—active and passive:

Active whistleblowing refers to individuals who make an actual disclosure, while passive covers employees who refuse to carry out their employer's orders when they believe these to be illegal. (Istvan and Farkas, 2018, p.61; originally from Westman, 1991)

Both forms can be effective tools to encourage ethical behavior and ensure accountability, though they are not without their challenges. First, in many countries, whistleblowers face a high risk when reporting unethical or illegal company practices (Okafor, Adebisi, & Opara, 2020). In addition, many Hungarian citizens—24 percent—do not know where to report corruption. This percentage is surprisingly low, especially compared with Finland (59%) and Greece (64%) (European Commission, 2017, p. 6). These challenges that Hungary faces can be overcome by establishing multiple clear whistleblowing channels and guaranteeing protections for whistleblowers (see also OECD, 2011).

### 1.3 Structure of the Report

This chapter discussed corruption and money laundering in Europe (more specifically, Hungary) and beyond and reviewed the components in the fight against the two issues in financial institutions. **Chapter 2 explains (i) the case-selection process and data used in the evaluation, (ii) the four components for transparency of major banks in Hungary, and (iii) the scoring criteria. The report then ranks the banks, presents the overall results of the research, details the nuanced differences between the banks, and conducts some additional analysis.** The evidence used to determine the rankings of the nine major banks in Hungary is provided in the Appendix.

### **Groceries of Key Terms in the Report**

#### **Corruption**

Although corruption can be defined as a variety of ways, this report uses the following definition to emphasize corruption matters not only in the public sector but also in the private sector including banks: “the abuse of entrusted power for private gain” (Transparency International, n.d., para. 1)

#### **Bribery**

“the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of money, gifts, loans, fees, rewards or other advantages (taxes, services, donations, favours etc.)” (Transparency International UK, n.d., para. 2)

#### **Facilitation Payment**

“small bribes, also called a ‘facilitating’, ‘speed’ or ‘grease’ payment, made to speed up a process to which the payer is entitled anyway” (Transparency International UK, 2014, p.14)

#### **Money Laundering**

“Money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardising their source.” (Financial Task Force, n.d., para.1)

#### **Whistleblowing**

“Active whistleblowing refers to individuals who make an actual disclosure, while passive covers employees who refuse to carry out their employer's orders when they believe these to be illegal” (Istvan and Farkas, 2018, p.61)

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## Bank Transparency in Hungary

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### Chapter 2: Methodology (Scoring Criteria)

Country	Name	Total Asset (in million forints)
		
	Budapest Bank	1,515,148
	CIB Bank	2,009,416
	Erste Bank	2,862,137
	K&H Bank	3,554,179
	MKB Bank	1,772,456
	OTP Bank	10,138,804
	Raiffeisen Bank	2,591,837
	Takarek Bank	2,167,752
	UniCredit Bank	3,416,391

#### 2.1 Case Selection and Data

This report chose nine banks in Hungary: Budapest Bank, CIB Bank, Erste Bank, K&H Bank, MKB Bank, OTP Bank, Raiffeisen Bank, Takarek Bank, and UniCredit Bank. Based on information on total assets from *TheBanks.EU*, eight universal saving banks were selected as major banks in Hungary. Takarek Bank was also selected, as financial policies under Prime Minister Viktor Orbán’s administration have enabled it to expand significantly in recent years. Szigeti offers some background on this to Hungary Today:

According to a recent report by left-wing Hungarian news site 24.hu, there are plans in place to create a huge, **new Hungarian bank that would be under the control of Hungarian billionaire Lőrinc Mészáros, a close personal friend and ally of Prime Minister Viktor Orbán.** [...]. The top leaders of Hungary’s 12 savings cooperatives were “asked” before April’s parliamentary election to merge into one. This project, known as the Fusion Strategic Project, is run by the Takarékbank, and its goal is to create an independent, unified bank within a year-and-a-half out of the independent savings cooperatives. (Szigeti, 2018, para.1-2)

## Bank Transparency in Hungary

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In 2019, the Takarek Group launched a new universal commercial bank (Budapest Business Journal, 2019); recent statistics from Menedzsment Fórum show that Takarek Bank is now the sixth biggest bank in Hungary (Statistia, 2020). Evidently, Takarek Bank should be considered as a major bank.

**In terms of the data used in the evaluation (Chapter 3), this report mostly relies on the publicly available sources published on companies' websites.** It was quite straightforward to acquire companies' codes of conduct, codes of ethics, relevant public policies, and annual/sustainability reports. However, it was often difficult or impossible to acquire detailed policies (especially those on whistleblowing). Unfortunately, companies' annual/sustainability reports did not include much useful information relevant to their scores. **Information disclosed in Wolfsberg Questionnaires in 2019 was also used to supplement the data** for seven banks (information was unavailable for Budapest Bank and outdated [2017] for Takarek Bank). Furthermore, while most of the information was collected via web search in English, web searches of some key terms translated into Hungarian and German<sup>1</sup> were also performed searching for relevant information in banks' local languages.

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<sup>1</sup> I searched the following Hungarian words in companies' websites: megvesztegetés-ellenes (anti-bribery); korrupcióellenes (anti-corruption); vesztegetés (bribery); korrupció (corruption); pénzmosás (money laundering); közérdekű bejelentés (whistleblowing); szabályoknak megfelelő működés (compliance). Thank you Daniel Szabó for translating the English terms that do not have exact translations in Hungarian.

### 2.2 Components

<p>1. Leadership Commitment</p> 	<p>2. Description of Money Laundering</p> 	<p>3. AML Policy/ Procedure</p> 	<p>4. Description of Corruption</p> 
<p>5. Anti-Corruption Policy/Procedure</p> 	<p>6. Risk Management</p> 	<p>7. Quality of Investigation</p> 	<p>8. Cooperation with Authorities</p> 
<p>9. Compliance Training</p> 	<p>10. Tailored Training</p> 	<p>11. Review of the Program</p> 	<p>12. Incentive Scheme</p> 
<p>13. Support and Protection (to employees' denial of unethical acts)</p> 	<p>14. Non-Retaliation (against whistleblowing)</p> 	<p>15. Multiple Whistleblowing Channels</p> 	

Based on what was detailed in Chapter 1, I included four components in the score criteria for the transparency of anti-corruption and anti-money laundering policies in major banks in Hungary: policy component (Q1–6), investigation component (Q7–8), training component (Q9–11), and whistleblowing component (Q12–15). The questions are looking for evidence that:

1. The company has publicly detailed its anti-corruption and anti-money laundering policies in order to affirm its commitment to these efforts.

## Bank Transparency in Hungary


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2. The company undertakes high-quality internal investigations and cooperates with Hungarian law enforcement.
3. The company provides both general and tailored training programs to all employees and continually updates these programs to stay up to date with new criminal strategies and new means of protection.
4. The company has whistleblowing policies in place to maintain its anti-corruption and anti-money laundering standards.


### 2.3 Scoring Criteria

The following are the descriptions of the scoring criteria of the transparency of major banks in Hungary. The idea of scoring corporate anti-corruption policies comes from Defence Companies Anti-Corruption Index (DCI) at Transparency International Defense and Security. I simplified and modified the draft DCI questionnaire (Transparency International Defense and Security, 2018) to fit into the research of major banks in Hungary. I also calculated overall averages and average scores of each perspective (policy, investigation, training, and whistleblowing) for the purpose of the comparison among nice companies in my research.

## Chapter 2: Methodology (scoring criteria)


<p>1. Leadership Commitment</p> 	<p>Does the company have a publicly stated anti-bribery and AML commitment, which is authorized by its leadership?</p>
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2	The company has a publicly stated anti-bribery and AML commitment, which details the company's stance against any form of bribery or corruption within the organisation and money laundering in the Company's business. It is clear that this commitment was authorized and endorsed by the Company's Leadership.
1	The company has a publicly stated anti-bribery and AML statement, however, this statement is weak, indirect or unspecific in some way. For example, it makes a general commitment to comply with anti-bribery and AML laws. Or, the company publishes a clear anti-bribery and AML commitment, but this is authorized and/or supported by a senior figure other than the Company Leadership.
0	The company has a publicly stated commitment to 'integrity' and 'high ethical standards' but does not explicitly mention anti-bribery and AML. Or, the company makes a general anti-bribery and AML commitment which is not authorized or supported by a senior figure. Or, there is no evidence of a commitment to ethical or anti-bribery and AML standards.


<p>2. Description of Money Laundering</p> 	<p>Does the company have clear descriptions of money laundering in AML policies in the company?</p>
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2	The company has clearly described money laundering, which not only clearly defines laundering but also identifies potential risks of money laundering.
1	The company has described money laundering, however, this statement is weak, indirect or unspecific in some way. For example, while the company defines money laundering, there is no detailed description of potential risks of money laundering.
0	The company publicly states neither definitions of money laundering nor potential risks of money laundering.

## Bank Transparency in Hungary

<p>3. AML Policy/ Procedure</p> 	<p>Does the company have a policy and/or procedure on AML to ensure they are bona fide to prevent money laundering?</p>
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2	There is evidence that the company has a policy and/or procedure on money laundering to ensure that the transacted money is not from the process of money laundering. The policy explicitly addresses the risks associated with money laundering, for example by specifying documentation procedures and record-keeping periods.
1	There is evidence that the company has a policy and/or procedure on money laundering, but the policy is lacking in some way. For example, the policy does not specify documentation procedures and record-keeping periods.
0	There is no publicly available evidence of a policy or procedure on money laundering.

<p>4. Description of Corruption</p> 	<p>Does the company have a clear definition of corruption in the description of anti-corruption policies in the company?</p>
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2	The company has clearly stated a definition of corruption, which not only defines corruption but also details the types/risks of corruption.
1	The company has publicly stated a definition of corruption, however, this statement is weak, indirect or unspecific in some way. For example, while the company defines corruption, there are no detailed descriptions of types/risks of corruption.
0	There is no evidence that the company has publicly stated a detailed definition and types of corruption.



## Chapter 2: Methodology (scoring criteria)

### 5. Anti-Corruption Policy/Procedure




Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?

2	<p>There is evidence that the company has a policy and/or procedure on the giving and receipt of gifts and hospitality with clear procedures designed to ensure that such promotional expenses are bona fide and not used for bribery. This policy establishes financial limits, along with an approval procedure, for the different types of promotional expense that employees may encounter. The company's policy includes a clear statement that all gifts and hospitality above certain thresholds are recorded in a dedicated register or central depository that is accessible to those responsible for oversight of the process.</p>
1	<p>There is evidence that the company has a policy and/or procedure on the giving and receipt of gifts and hospitality, but the policy is lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>(i)The policy does not specify financial or proportional limits or different approval procedures for different types of promotional expenses;</li> <li>(ii)There is no evidence that all gifts and hospitality above a certain threshold are recorded in a dedicated register or central depository that is accessible to those responsible for oversight of the process.</li> </ul>
0	<p>There is no publicly available evidence of a policy or procedure on gifts or hospitality.</p>


## Bank Transparency in Hungary

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<p>6. Risk Management</p> 	<p>Does the company have enhanced risk management procedures in place for the services to markets or customers in countries?</p>
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2	The company acknowledges the corruption risks associated with operating in different markets. The results of risk assessments inform the development and implementation of additional controls. Or, the company has an explicitly stated high risk markets and/or policy of not operating in these high risk markets due to the associated corruption and money laundering risks.
1	The company acknowledges the corruption and money laundering risks associated with operating in different markets. Or, there is evidence that risk assessment procedures are used to inform the company's operations in high risk markets. However, the descriptions of the risks and procedures are weak, indirect or unspecific in some way.
0	There is no evidence that the company acknowledges the corruption and money laundering risks of operating in different markets, and that risk assessment procedures are used to inform the company's operations in high risk markets.

## Chapter 2: Methodology (scoring criteria)

<p>7. Quality of Investigation</p> 	<p>Does the company have appropriate arrangements in place to ensure the quality of investigations?</p>
<p>2</p>	<p>There is evidence that the company assures itself of the quality of its internal investigations. The company explicitly states that staff tasked with conducting investigations are properly qualified and/or trained to perform the function. Any complaints about the handling of concerns and investigations are overseen by an appropriate senior management officer and a procedure is in place to handle the escalation of complaints. The investigation procedure is subject to review at least every three years.</p>
<p>1</p>	<p>There is evidence that the company assures itself of the quality of its internal investigations. However, the assurance process is lacking in some way, for example:</p> <p>There is no evidence that the company assures itself of the quality of both incident investigations cases;</p> <p>(i) It is unclear or there is no evidence that staff conducting investigations are properly trained/qualified;</p> <p>(ii) There is no mention of how complaints about the investigation process are handled;</p> <p>(iii) It is unclear who is responsible for handling such complaints and/or that person is not of an appropriately senior level or function within the company.</p> <p>(iv) There is no evidence that the company reviews its investigations procedure at least every three years.</p>
<p>0</p>	<p>There is no evidence that the company assures itself of the quality of its internal investigations.</p>

## Bank Transparency in Hungary

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### 8. Cooperation with Authorities




Does the company's investigative procedure include a commitment to report material findings of bribery, corruption, and money laundering to the board and any criminal conduct to the relevant authorities?

2	The company makes a clear commitment to report material findings of bribery, corruption, and money laundering from investigations to the board. An appropriate senior individual is ultimately responsible for ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon if found necessary.
1	The company commits to report material findings of bribery, corruption, and money laundering from investigations to the board. However, there is no evidence that an appropriate senior individual is responsible for ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon if necessary
0	There is no investigative procedure which includes a commitment to report material findings.

## Chapter 2: Methodology (scoring criteria)


<p>9. Compliance Training</p> 	<p>Does the company provide training on its anti-bribery and AML program to all employees across all divisions and geographies, and in all appropriate languages?</p>
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2	There is evidence that the company provides training – either as a standalone program or embedded in other ethics and compliance courses – that outlines the principles of the anti-bribery and AML policy. The company provides this training to all employees across all divisions and countries of operation, and in all appropriate languages. The company states that employees are required to undertake refresher courses or modules on the anti-bribery and AML program at least every three years.
1	There is evidence that the company provides a training module that outlines the basic principles of the anti-bribery and AML policy, including the whistleblowing options available to employees. However, the evidence suggests training is not systematically provided to all employees across all divisions, all countries regions of operation or in all appropriate languages. Or, it is unclear how frequently training is conducted, or there is evidence that the company only provides this training on an ad hoc or infrequent basis.
0	There is no evidence that the company provides anti-bribery and AML training to all employees.


<p>10. Tailored Training</p> 	<p>Does the company provide tailored training on its anti-bribery and AML program for at least the following categories of employees: a) Employees in high-risk positions, b) Middle management, c) Board members.</p>
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2	The company clearly states that it tailors its anti-bribery and AML training program to the different levels of risk facing employees in different roles, with specific reference to at least the categories of employee referred to in the question.
1	The company states that employees in certain positions receive different or tailored anti-bribery and AML training, but these positions are unclear or limited.
0	There is no evidence that the company tailors its anti-bribery and AML training to employees based on an assessment of their role and exposure to corruption risk.

## Bank Transparency in Hungary

<p>11. Review of the Program</p> 	<p>Does the company measure and review the effectiveness of its anti-bribery and AML communications and training program?</p>
<p>2</p>	<p>There is evidence that the company measures or reviews the effectiveness of its anti-bribery and AML communications and personnel training program (whether stand-alone or embedded). There is evidence that the company has a system to do this, for example through dedicated questions in staff surveys, KPIs measuring effectiveness, the number of compliance-related inquiries received, scenario-testing interactions, audits, or face-to face conversations. The company commits to assuring itself of this on a continuous basis or, if periodically, at least annually. It is clear that the results of such reviews are then used to update specific parts of the company's anti-bribery and AML communications and training program, with a review of the program taking place at least every three years.</p>
<p>1</p>	<p>There is some evidence that the company reviews its anti-bribery and AML communications and personnel training program. However, this is lacking in some way, for example:</p> <ul style="list-style-type: none"> <li>(i)The measures are too simplistic, for example, limited to the number of personnel trained or completion rates;</li> <li>(ii)The company does not assure itself of this on at least an annual basis;</li> <li>(iii)It is unclear or there is no evidence that results are used to update specific parts of the company's anti-bribery and AML communications and training program.</li> </ul>
<p>0</p>	<p>There is no evidence that the company measures or reviews the efficacy of its anti-bribery and AML communications or training program.</p>


## Chapter 2: Methodology (scoring criteria)


<p>12. Incentive Scheme</p> 	<p>Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behavior and discourage corrupt practices?</p>
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2	<p>There is evidence that the company’s incentive schemes are designed in such a way that they simultaneously promote ethical behavior and discourage corrupt practices. This can be done in a number of ways, but in all cases it must be clear to the assessor that the company incentivises its employees based on ‘how’ they achieve their goals, through tools such as performance appraisals and ethical conduct in the workplace. Where financial rewards are part of an incentive scheme, the company notes that in high risk departments, such as sales, they must be proportionate to the employee’s salary.</p>
1	<p>There is evidence that the company’s incentive schemes incorporate ethical and anti-bribery and AML principles. However, the description of how the company achieves this is lacking in some way, for example:</p> <ul style="list-style-type: none"> <li>(i) There is no evidence to suggest that incentives are designed to reward behavior in line with the company’s ethical values as identified through performance appraisals or conduct in the workplace; in other words, the company’s incentive scheme focuses primarily on the achievement of business or financial targets;</li> <li>(ii) Where the assessor determines that the company includes financial rewards as part of its incentive schemes, it is not clear that these must be proportionate to the employee’s salary in the case of high risk employees, such as sales roles;</li> <li>(iii) The policy does not apply to high-risk employees, such as sales roles.</li> </ul>
0	<p>There is no evidence that the company’s incentive schemes incorporate ethical or anti-bribery and AML principles, or the company’s approach to incentives is unclear to the extent that it cannot satisfy the requirements of score ‘1’.</p>




## Bank Transparency in Hungary

<p><b>13. Support and Protection</b> (to employees' denial of unethical acts)</p> 	<p>Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?</p>
<p>2</p>	<p>The company clearly states that any employee who refuses to act unethically, in keeping with the company's ethical and anti-bribery and AML values and policy, will be protected and supported even where such actions result in a loss of business or another disadvantage to the company. There is evidence that the company assures itself of its employees' confidence in this commitment through anonymized surveys or other clearly stated means.</p>
<p>1</p>	<p>The company clearly states that any employee who refuses to act unethically, in keeping with the company's anti-corruption or AML commitments, will be protected and supported, even where such actions result in a loss of business or another disadvantage to the company. However, there is no evidence that the company assures itself of its employees' confidence in this statement through anonymized surveys or other clearly stated means.</p>
<p>0</p>	<p>There is no evidence that the company commits to support or protect employees who refuse to act unethically. Or, this commitment is unclear to the extent that it cannot satisfy the requirements of score '1', or it does not specify that it will support employees even where such actions result in a loss to the company.</p>

<p><b>14. Non-Retaliation</b> (against whistleblowing)</p> 	<p>Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and money laundering incidents?</p>
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2	<p>The company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and money laundering incidents. This policy explicitly applies to all employees across the organisation, including those engaged by the group as third parties, suppliers and joint venture partners. The company explicitly commits to assure itself of its employees' confidence in this commitment through surveys or other clearly stated means. This may include monitoring the usage statistics of whistleblowing channels across different parts of the organisation or conducting independent anonymized employee surveys.</p>
1	<p>The company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and money laundering incidents that explicitly applies to all employees across the organisation, including those employed by the group as third parties, suppliers and joint venture partners. However, there is no evidence that the company assures itself of its employees' confidence in this commitment through surveys, usage data, or other clearly stated means.</p>
0	<p>The company does not have a publicly available policy of non-retaliation against whistleblowers or employees who report bribery and money laundering incidents. Or, the policy does not explicitly refer to both whistleblowers and employees who report bribery and corruption incidents, or does not apply company-wide.</p>

## Bank Transparency in Hungary

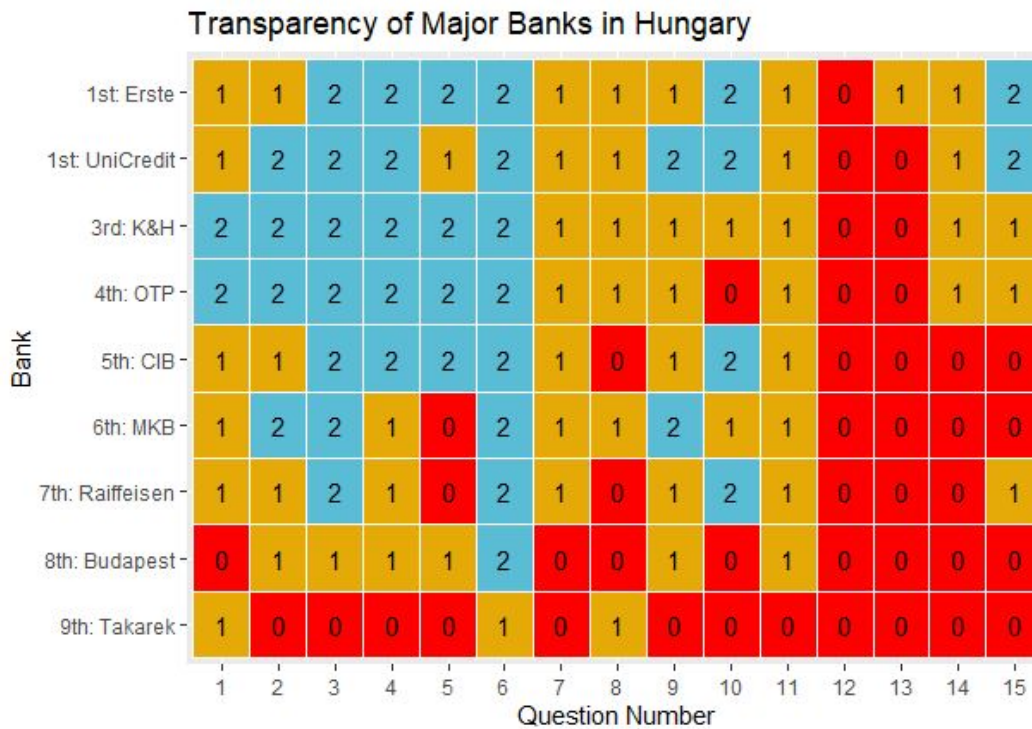
<p>15. Multiple Whistleblowing Channels</p> 	<p>Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?</p>
2	<p>The company has multiple channels to report instances of suspected corrupt and unethical activity and seek advice on the company's anti-bribery and AML program. Channels are sufficiently varied to allow the employee to raise concerns across the management chain and to relevant external bodies. These channels allow for confidential and, wherever possible, anonymous reporting. They are available and accessible to all employees in all jurisdictions where the company operates, including those employed by the group as third parties, suppliers and joint venture partners, and in all relevant languages.</p>
1	<p>The company has some whistleblowing and advice channels, but they fall short in some way. For example:</p> <ul style="list-style-type: none"> <li>(i) There are no explicitly anonymous or confidential channels;</li> <li>(ii) The company only offers internally operated channels;</li> <li>(iii) There are only whistleblowing channels and no advice channels;</li> <li>(iv) The channels are not explicitly available to all employees in any country of operation, or in multiple languages, or to any employees of third parties, suppliers or joint venture partners.</li> </ul>
0	<p>The company does not have either whistleblowing or advice channels</p>

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# Chapter 3: Evaluation and Discussion

This chapter discusses the overall results and analyzes the nuanced differences between companies. It also presents an analysis based on information from online interviews. The following figure summarizes the results.



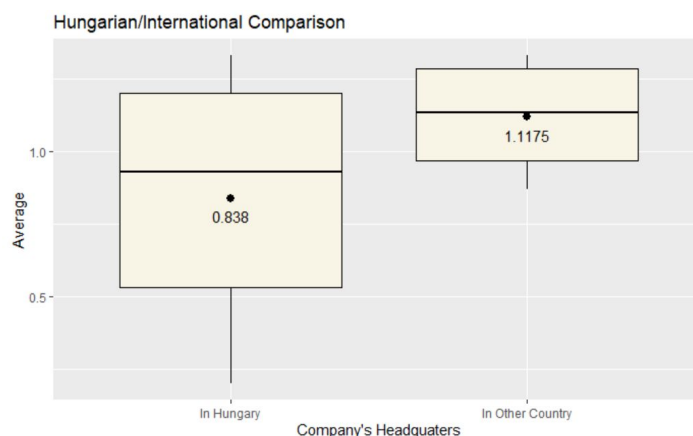
The following table displays the banks' average scores for each component.

Rank	Country	Name	Policy	Investigation	Training	Whistleblowing	Overall
1		Erste Bank	1.67	1	1.67	0.75	1.33
1		UniCredit	1.67	1	1.33	1	1.33
3		K&H Bank	2	1	0.67	0.5	1.27
4		OTP Bank	2	1	1	0.5	1.2
5		CIB Bank	1.67	0.5	1.33	0	1.0
6		MKB Bank	1.33	1	1.33	0	0.93
7		Raiffesen Bank	1.16	0.5	1.33	0.25	0.87
8		Budapest Bank	1	0	0.67	0	0.53
9		Takarek Bank	0.33	0.5	0	0	0.2

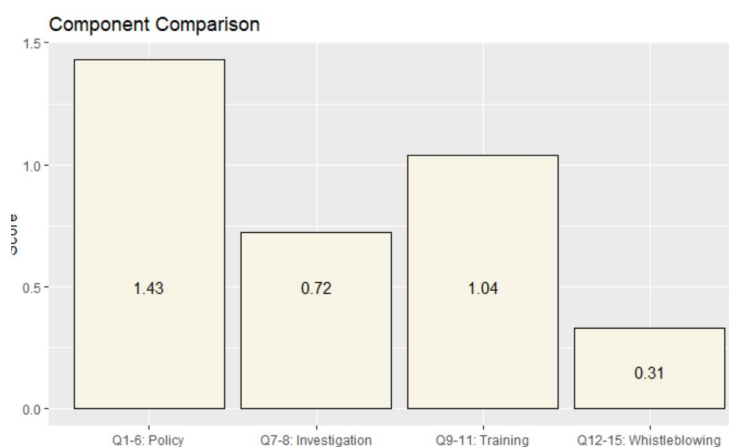
# Bank Transparency in Hungary

## 3.1 Overall Evaluation

While the average of overall scores for international banks with headquarters in other countries was slightly higher than for banks with headquarters in Hungary, the extent of transparency largely varies by individual company: two Hungarian banks—Erste Bank and OTP Bank—scored relatively high while an international bank—Raiffeisen Bank—received low scores. One clear finding from the publicly available information is that **the variance of scores among international banks (0.8–1.33) is narrower than that of scores among Hungarian banks (0.2–1.33).**

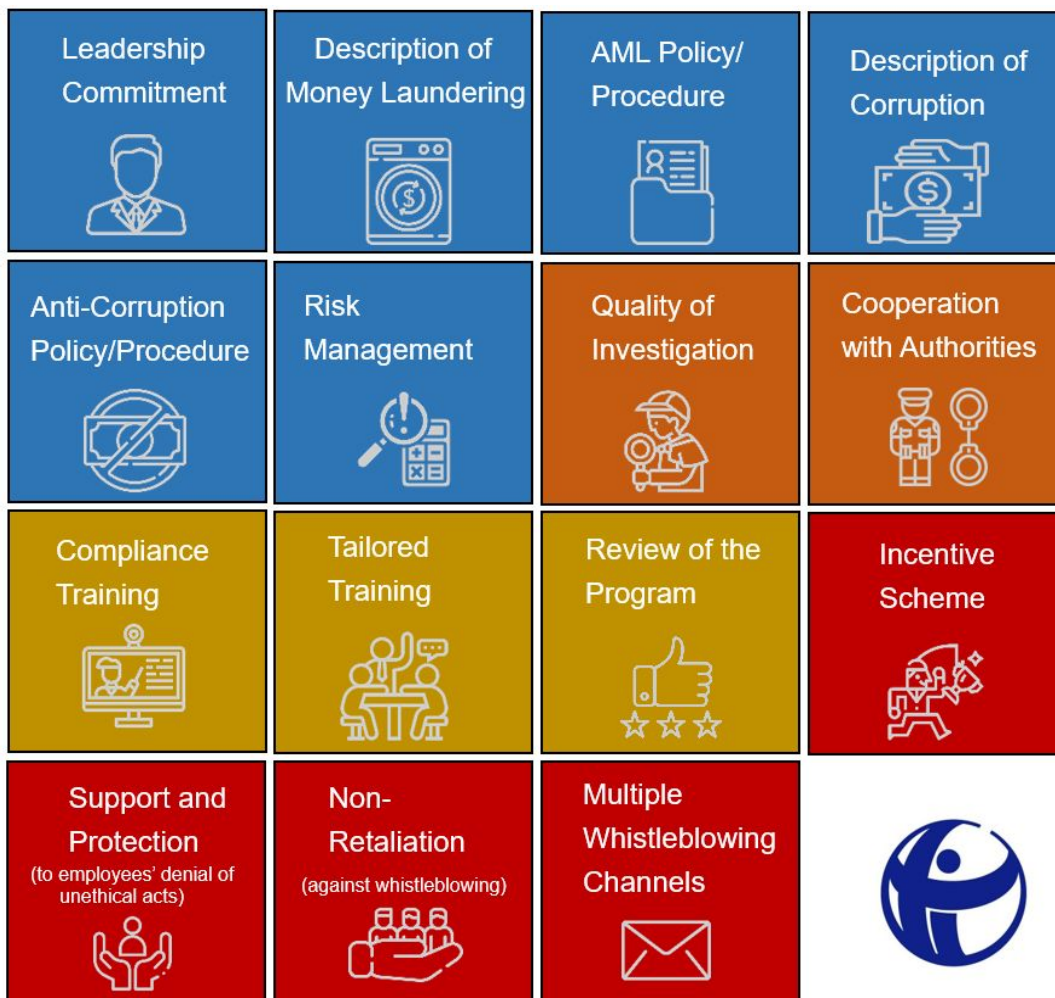


Regarding the comparison among the four key components, while companies generally disclose their anti-corruption and/or anti-money laundering policies, they often have insufficient procedures in place to incentivize, support, and protect whistleblowers.



## Chapter 3: Evaluation and Discussion

The following figure visualizes the differences between each component.



Note: Red indicates the lowest average while blue indicates the highest average.



## Bank Transparency in Hungary

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The following shows more detailed performances of nine major banks in Hungary:

### Policy Component

- Eight companies enhance risk management procedures in place for the services to markets or customers identified as at a high risk of corruption and/or money laundering.
- Seven companies display policies for anti-money laundering with descriptions of record-keeping periods.
- Two companies have a publicly stated anti-bribery and AML commitment, which is authorized by its leadership rather than by a senior figure.
- In three companies, there is no publicly available policy or procedure on gifts or hospitality.

### Investigation Component

- While seven companies have arrangements to ensure the quality of investigation, there is no evidence that either of the companies assures itself on the quality of its internal investigation by frequent reviews.
- While six companies partially commit to report material findings to the relevant law enforcement authorities, there is no evidence that an appropriate senior individual is responsible for ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon if necessary.

### Training Component

- Eight percent of companies provide training on its anti-bribery and AML program to all employees.



**8/9**

Eight companies enhance risk management procedures

**7/9**

Seven companies display detailed policies for anti-money laundering

**0/9**

No company ensures that its employee incentive schemes are designed to promote ethical behavior

**1/9**

Only one company partially commits to support and protect employees who refuse to act unethically

**5/9**

Five companies do not publish any policies of non-retaliation against whistleblowers.

**4/9**

Four companies do not have whistleblowing channels

## Bank Transparency in Hungary

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- Six companies provide tailored training on its anti-bribery and AML program for employees in high-risk positions, middle management, and board members.

### Whistleblowing Component

- No company ensures that its employee incentive schemes are designed in such a way that they promote ethical behavior and discourage corrupt practices.
- Only one company partially commits to support and protect employees who refuse to act unethically, even when it might result in a loss of business.
- Five companies do not publish any policies of non-retaliation against whistleblowers.
- Four companies do not have whistleblowing channels.

## 3.2 Discussion: Nuanced Differences Between the Banks

### 3.2.1. International Standards/Guidelines

First, there are differences in the international standards/guidelines on which the banks' policies are based. **Erste Bank, for example, uses the Global Reporting Initiative (GRI;** Erste Bank, 2018). According to the GRI, information on risk assessment, communication, training, and incidents of corruption should be disclosed. In contrast, **OTP Bank follows the anti-corruption guidance from the Wolfsberg Group (2020, p. 1)**, which includes a range of areas from risk assessments to documentation and gifting procedures. For example, the Wolfsberg Group advises financial institutions to specify financial limits with record-keeping procedures (pp. 10–11).



### Disclosure 205-1 Operations assessed for risks related to corruption

The reporting organization shall report the following information:

- a. Total number and percentage of operations assessed for risks related to corruption.
- b. Significant risks related to corruption identified through the risk assessment.

### Disclosure 205-2 Communication and training about anti-corruption policies and procedures

The reporting organization shall report the following information:

- a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region. [...]
- e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region

(Global Reporting Initiative, 2018, p. 7-9)

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### 6.2 Books and Records

The Policy should prohibit any improper accounting or concealment of complete and accurate financial activity. [...] FIs may also consider maintaining documentation for anything of value provided by customers, potential customers, Public Officials and third parties. Documentation should be maintained in accordance with applicable legal and regulatory requirements.

### 9.1 Gifts and Business Hospitality

FIs provide gifts and business hospitality to a wide range of stakeholders including customers, prospective customers, shareholders, employees, vendors and, where laws permit, to Public Officials. Such activity is generally acceptable when it is incidental to facilitating business engagements, is undertaken to establish and maintain cordial business relations or promotes the FI's products or services. Gifts and hospitality should not, however, be given or received in order to influence (or create the appearance of influencing) the recipient in an improper manner. [...] Procedures addressing gifts and hospitality should consider each of these risk factors and include the monetary thresholds for approval (by business management and/or Legal/Compliance) and applicable record keeping requirements.

(The Wolfsberg Group, 2017, p. 5, p.10-11)

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*“Customary gifts, for business purposes, may be given and accepted; however, the total monetary value of gifts given or accepted within one quarter must not exceed HUF 50,000”*

OTP Bank Code of Conduct

“

*“We are committed to that no gift may be requested or provided, irrespective of its value, as a condition of business relationship or in the hope of receiving any benefit.”*

Erste Bank Code of Ethics

However, there is no evidence from the comparison that any of these particular international standards/guidelines help more than others. Given the ranks of Erste Bank and OTP Bank, it is likely more important to simply follow a body of international standards/guidelines than it is to follow any specific one.

### 3.2.2. Procedures on Gifts and Hospitality

**Second, regarding the procedures on gifts and hospitality, few companies require the outright rejection of all gifts and hospitality. Rather, most of the companies that scored “high” just specify the threshold per party per year.** While it is difficult to know for certain, there are two likely reasons for this: Hungarian culture and international standards. In terms of the former, as already stated in Chapter 1, 60 percent of Hungarian citizens think it is acceptable to give a gift (European Commission, 2017, p. 10) in a business setting; thus, it is difficult for companies in Hungary to reject gifts or hospitality altogether. In terms of the latter, international standards and guidelines generally only call for thresholds for gifts and hospitality; the DIC and the anti-corruption guidance of the Wolfsberg Group, which “has

## Chapter 3: Evaluation and Discussion

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been developed in collaboration with the Basel Institute on Governance and with input from Transparency International” (Wolfsberg Group, 2017, p. 1), requires the specification of thresholds but does not require the outright rejection of all gifts and hospitality.

### 3.2.3. Risk Assessment

Third, while most of the companies with a “high” score merely specify which area companies take as a risk, some companies disclose more information on the risk assessment. The comparison of these companies suggests that their focuses are slightly different: **some focus more on country risk while others consider more factors as risk factors**. The Budapest Bank, for example, names only geographical risk factors (“distinction is made in the scope of the geographically”; Budapest Bank, 2020, p. 4). In contrast, the Unicredit Bank regards the following factors as risks:

- **country risk** – including both the customer’s nationality, residence, country of operation and country of incorporation and the nationality and/or residence of the beneficial owner(s);
- **industry risk** – the customer’s occupation or the industry in which they are engaged;
- **product and services risk** – the type of the Group products or services being used by the customer and how those products or services are delivered (e.g. non-face-to-face);
- **entity risk** – the legal form taken by the customer and its susceptibility to being used for money laundering; and
- **PEP and reputation risk** – whether the customer or beneficial owner is a Politically Exposed Person (PEP) or where there is negative information concerning the customer that may affect Group’s reputation. (*Uni Credit Bank, 2020, p.1*)

## 3.3 Additional Research (Skype Interview)

Additional research on Erste Bank was conducted via a Skype interview to understand the differences between banks’ internal information and the information that banks make public. This interview with an employee of Erste Bank’s Compliance Office was conducted in English by Yusuke Ishikawa (the author) on Sep 07, 2020 via Skype. The key findings of the interview are as follows:

- **Banks have more detailed internal policies/procedures than what the public is aware of.** In the case of Erste Bank, the bank had internal procedures for handling gifts and hospitalities and reviewing anti-corruption and anti-money laundering programs that were more detailed than the procedural information available to the public.

### **Gift Policies at Erste Bank**

The interviewee offered details on various procedures, such as that for handling gifts and hospitality. The interviewee explained to me that employees are allowed to accept only particular kinds of low-value gifts that do not influence employee integrity, such as diaries, chocolates, cookies, and low-cost wines (threshold: 15.000 HUF). While the bank allows its employees to receive these gifts, it generally reminds them of their reporting obligations, especially leading up to the Christmas season when they are more likely to receive these gifts. The interviewee explained that the bank does not allow any other kinds of gifts, such as cash, jewelry, and vouchers. Additionally, the bank does not allow employees to accept conference invitations for which the inviter covers the travel and accommodation expenses—while the invitations can be accepted, the travel and accommodation expenses must be paid for by the bank. These training programs have been updated on an annual basis (Interviewee, 2020).

- **The extent of anti-money laundering training may differ from that of anti-corruption training** due to differences, for example, in Hungarian legal requirements (see the table below for more detailed explanation).



### Training Programs at Erste Bank

The interviewee explained that there is more anti-money laundering training than there is anti-corruption training but noted that anti-corruption training is an essential part of their training. The bank's anti-money laundering programs not only include general annual training to understand relevant policies and regulations (such as anti-corruption procedures) but also include annual thematic training that fosters in-depth specific knowledge (e.g., potential money-laundering risk of small and medium-sized enterprises) by discussing specific cases and asking employees to answer questions. According to the interviewee, there are two reasons behind these training programs: (i) Hungary has anti-money laundering laws that require banks to implement relevant training policies/procedures; (ii) it is important to understand and recognize potential money-laundering risks by sales staff (Interviewee, 2020).

- **In contrast to Western European countries, whistleblowing is not a common practice in Hungary due to its communist background.** Under the communist regime, whistleblowing carried a “negative meaning” (Interviewee, 2020). Hungarian whistleblowers can “still feel it nowadays”; they tend to “(see) themselves as spies” (2020). However, there are more whistleblower cases each year at Erste Bank, some sent through the whistleblowing hotline and others directly reported to the relevant internal unit.

### 3.3 Recommendation

In order to improve the transparency of major banks, it is crucial for company leaders to implement policies and procedures that abide by the four principles. Based on the scoring results, this report recommends the following adjustments:

- 1. Publish internal anti-corruption and anti-money laundering policies/procedures to the public in order to enhance transparency.**
- 2. Improve the quality of internal investigations through frequent reviews and enhance cooperation with law enforcement by clarifying the government's responsibilities.**
- 3. Improve the quality of compliance training through frequent reviews, periodic training, and tailored programs.**
- 4. Provide multiple whistleblowing channels.**
- 5. Ensure the protection of and non-retaliation against whistleblowers through anonymous surveys or other clearly stated means.**
- 6. Ensure that companies support and protect employees who refuse to act unethically.**
- 7. Introduce incentive schemes to promote ethical behavior and discourage corrupt activities.**



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### Appendix: Evaluation in Detail

This appendix provides all evidence which was used to decide each score of nine major banks in Hungary<sup>1</sup>.

#### (i) Erste Bank: 1.33 (Middle)

##### Question 1 - MIDDLE

- In the Wolfsberg Questionnaire, the company states that AML policy is “approved at least annually by the Board or equivalent Senior Management Committee receive” (Wolfsberg Questionnaire, 2019, Q21)
- “we comply with the ten principles enshrined in the UN Global Compact and implement them in all our relevant business processes”(What we value: The Code of Conduct of Erste Group, n.d., p.7)
- “The outward sign of our commitment is also our membership in "Transparency International", in which our Chairman of the Supervisory Board, DI. Mag. Rödler, is on the Executive Board of the Austrian Chapter” (Sustainability, n.d.)

The company was evaluated as “MIDDLE” because AML and anti-bribery policy seems to be authorized and supported by a senior figure other than the Company Leadership. In order to receive the higher score, the company needs to improve the above point in corporate reports or policies.

##### Question 2 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that the company’s AML policy covers the inherent risk components” (Client, product, channel, and geography; Q47, 47a-d)

The company was evaluated as “MIDDLE” because, while the company describes the risks of money laundering, the company does not provide any relevant definitions of money laundering. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

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<sup>1</sup> Strictly speaking, although every effort has been made by the author to verify the accuracy of coding, the evaluation contains some limitations in terms of its reliability. This is because the scores were coded by the author and have not been double-checked by the other coders in this report (as this research is an individual project). Further analysis with additional coders is required to improve the reliability of the coding.

### Question 3 - HIGH

- The company discloses in Wolfsberg Questionnaire that the company has “a record retention procedures that comply with applicable laws” (**five years or more**; Q45a)

### Question 4 - HIGH

- **“Corruption is an active or passive abuse, direct or indirect, committed by a BCR Group employee or collaborator in order to obtain financial advantages or other unfair advantages (goods and services) for himself/herself or for a third party related to a BCR Group employee”.** (*BCR Group Anti-corruption Policy*, n.d., p.1)
- “Corruption targets a set of illicit or immoral activities /actions committed not only by individuals, but also by different public and private groups or organizations, aiming to obtain material or moral advantages or a higher social statute, through utilization of some abuse forms, constraint, blackmail, deception, bribery, intimidation, threatening.” (*BCR Group Anti-corruption Policy*, n.d., p.1)
- “Bribery means offering, promising or providing of any valuable object or opportunity, bribery can take place not only by promising/delivering cash, but also by providing high value gifts, tickets for sport events, business opportunities or jewellery.” (*Code of Ethics*, n.d., p.9)

### Question 5 - HIGH

- “We are committed to that **no gift may be requested or provided, irrespective of its value, as a condition of business relationship or in the hope of receiving any benefit.** We expect from our colleagues not to make any implication that allows a customer or contractual partner to draw the conclusion that giving gifts ‘here’ is customary or a must. Both in the course of acceptance and supply of gifts, special attention must be paid to that **employees must always refrain from accepting or providing gifts if it creates or may create an impression of bribe (an active or passive form thereof) or a request for any other business advantage”.** (*Code of Ethics*, n.d., p.8-9)

### Question 6 - HIGH

- “we will not get in business relationship or **terminates those existing relationships** if the origin of the financial assets of the customer is doubtful, or the account relations are suspected of money laundering, furthermore” (*Code of Ethics*, n.d., p.8)
- The company discloses in *AML/KYC Policies* that the company “proper system [is] put in place to track transactions on the basis of risk classification of countries and the FI [financial institution] does not enter into transactions with high risk countries” (p.2)

## Bank Transparency in Hungary

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- The company discloses in *Wolfsberg Questionnaire* that the company’s AML policy covers the inherent risk components” (**Client, product, channel, and geography**; 47, 47a-d)

### Question 7 - MIDDLE

- The company discloses in *Wolfsberg Questionnaire* that the company appoints “officers with sufficient experience/expertise” (Q19a)

The company was evaluated as “MIDDLE” because there is no evidence, for example, that the company reviews its investigations procedures at least every three years . In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 8 - MIDDLE

- The company discloses in *AML/KYC Policies* that the company has “policies or practices for the identification and reporting of transactions that are required to be reported to the authorities” (2018, p.3)

There was no publicly available data to prove the company has procedures which include a commitment to report material findings to relevant law enforcement authorities.

### Question 9 - MIDDLE

- The company discloses in *Wolfsberg Questionnaire* that training which “is targeted to specific roles, responsibilities and high risk products, services and activities” is offered. This training is also offered to Board and Senior Committee Management as well (Q 99a, 100)
- “we provide regular compliance training for our employees” (*Code of Ethics*, n.d., p.8)
- “The mandatory compliance training for all new employees includes awareness training and an introduction to the prevention of corruption.” (Annual Report, 2016, p.104; also in Annual Report of 2017, 2018, and 2019)

The company was evaluated as “MIDDLE” because the company does not disclose how frequently training is conducted. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 10 - HIGH

- **The company discloses in *Wolfsberg Questionnaire* that training which “is targeted to specific roles, responsibilities and high risk products, services and activities” is offered. This training is offered to Board and Senior Committee Management as well (Q 99a, 100)**

### Question 11 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that training is periodically reviewed (Q19g).

The company was evaluated as “MIDDLE” because the company has a minimum requirement of training but there is no evidence that the company frequently reviews through dedicated questions in staff surveys. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 12 - LOW

There was no publicly available data to prove the company has an incentive scheme in the whistleblowing policy.

### Question 13 - MIDDLE

“Any - deliberate or negligent - event **may also be reported if it may lead to a potential loss** or provide an opportunity for the violation of the business/shareholder interests of Erste Group” (*Code of Ethics*, n.d., p.29)

There was no publicly available data to prove the company commits to and assure that the company will support and protect employees through anonymized surveys or other clearly stated means, even when it might result in a loss of business.

### Question 14 - MIDDLE

- “Protection of whistleblowers”  
“Full anonymity is the main rule of handling reports. It means that even if report is signed, the whistle-blower is known only by the dedicated colleagues of the Compliance, AML and Fraud Prevention who cannot reveal the name of the individual submitting the report to a third party under any circumstances. The protection of Whistle-blowers is especially important for Erste Group, therefore, the Whistle-blower may not suffer any negative consequences due to Whistle-blowing. Whistle-blowing shall not-result in any legal prejudice even when it is proven later that the conduct reported is not an abuse. Erste Group strongly and clearly prohibits exposing any negative consequences against those employees who come across any breach of the Code of Ethics and report it to Erste Group in good faith in any form by using any of the channels referred to above. Any manager applying any sanctions against the whistle-blower shall expect legal consequences” (*Code of Ethics*, n.d., p.30)

## Bank Transparency in Hungary

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The company was evaluated as “MIDDLE” because there is no evidence that the company assures itself of employee’s confidence in this commitment through surveys. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 15 - HIGH

- “Erste Group provides the following opportunities for reporting:
  - **anonymously on the intranet via a system specifically developed for such purposes (Intranet\Applications\Reporting of abuses)**
  - **personally to an employee of the Compliance, AML and Fraud Prevention**
  - **by e-mail EBH FPT EB\_HU or [FPT@erstebank.hu](mailto:FPT@erstebank.hu)**
- **To customers and third parties: on a Whistle-blowing interface specifically designed for this purpose on the Internet interface of Erste Bank Hungary Ltd.”**  
(*Code of Ethics*, n.d., p.29)

### References<sup>2</sup>

AML/KYC Policies (2018)

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[https://www.erstebank.hu/content/dam/hu/ebh/www\\_erstebank\\_hu/bankunkrol/Code\\_of\\_conduct.pdf](https://www.erstebank.hu/content/dam/hu/ebh/www_erstebank_hu/bankunkrol/Code_of_conduct.pdf)

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<sup>2</sup> References in the Appendix do not adhere to a standard referencing style. This is to make in-text citations easier to see from which source I have collected data.

Sustainability (n.d.)

<https://www.erstegroup.com/en/about-us/sustainability>

What we value: The Code of Conduct of Erste Group (n.d.)

[https://cdn0.erstegroup.com/content/dam/at/eh/www\\_erstegroup\\_com/en/About%20us/Sustainability/erstegroup-code-of-conduct.pdf?forceDownload=1](https://cdn0.erstegroup.com/content/dam/at/eh/www_erstegroup_com/en/About%20us/Sustainability/erstegroup-code-of-conduct.pdf?forceDownload=1)

Wolfsburg Questionnaire (2019)

[https://www.erstebank.hu/content/dam/hu/ebh/www\\_erstebank\\_hu/information-for-banks/2019/11/ebh\\_wolfsberg\\_20190529\\_final\\_version.pdf](https://www.erstebank.hu/content/dam/hu/ebh/www_erstebank_hu/information-for-banks/2019/11/ebh_wolfsberg_20190529_final_version.pdf)

## Bank Transparency in Hungary

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### (i) UniCredit Bank: 1.33 (Middle)

#### Question 1 - MIDDLE

- In the Wolfsberg Questionnaire, the company states that AML policy is “approved at least annually by the Board or equivalent Senior Management Committee receive” (Wolfsberg Questionnaire, 2019, Q21)
- “2.1.2 Commitment to combat bribery and corruption  
UniCredit Group commits to proactively combat bribery and corruption in the environment we operate. UniCredit Group shall do this by promoting integrity and bribery and corruption-free way of doing business among the wide range of its stakeholders. UniCredit Group is striving to be an industry role model by implementing best anti-bribery and anti-corruption standards and practices, investing into training and awareness of its Employees. The Group is making best efforts to prevent bribery and corruption by its Third parties including deeper up or down the supply chain of our Third parties. UniCredit Group reserves the right to refrain from relationship with a Third party when doubts of possible corruption or bribery committed exist”(Anti-Bribery and Anti-Corruption, 2018, p.8)

The company was evaluated as “MIDDLE” because AML and anti-bribery policy seems to be authorized and supported by a senior figure other than the Company Leadership. The message from the CEO in the 2019 Annual Report does not specifically state anti-corruption and AML, except for the company’s commitment to ethical business activities. In order to receive the higher score, the company needs to improve the above point in corporate reports or policies.

#### Question 2 - HIGH

- “Money laundering is **an activity aimed at disguising the illicit origin of criminal proceeds and at creating the appearance that their origin is legitimate.**” (Code of Conduct, 2017, p.324)
- The company described the following risks of AML: **“country risk”, “industry risk”, “product and services risk”, “entity risk”, and “PEP and reputation risk”** (Uni Credit Bank Czech Republic and Slovakia a . s . AML Program,2020, p.1)

#### Question 3 - HIGH

- Record-Keeping:  
“Procedures ensure the retention of the following, **for at least ten years from the execution of an occasional transaction or the termination of the business relationship:**
  - a copy of or references to the documents used for customer due diligence; and
  - the supporting evidence and records pertaining to the business relationship and the transactions, consisting of the original documents or copies admissible in court



proceedings under the applicable national legislation.”

(*Uni Credit Bank Czech Republic and Slovakia a . s . AML Program,2020, p.1*)

### Question 4 - HIGH

- “Corruption is a domestic or a foreign, public official or an individual who acts for a company or in a function of trust; irrespective of place where Bribery and Corruption is committed, and irrespective of whether the result of such Bribery and Corruption entails an actual undue advantage or the improper performance of a function or activity” (*Anti-Bribery and Anti-Corruption, 2018, p.4*)
- The company also provides the definitions of other relevant terms such as **gifts, facilitation payment, favouritism** (*Anti-Bribery and Anti-Corruption, 2018, p.5*)

### Question 5 - MIDDLE

- “all gifts or business hospitality above certain threshold need pre-approval by relevant manager” (*Anti-Bribery and Anti-Corruption, 2018, p.10*)

The company was evaluated as “MIDDLE” because the company does not disclose the threshold. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 6 - HIGH

- **“The risk assessment covers the money laundering risk presented by customers, products and services.**  
**The following factors are used in determining a methodology for risk-classifying customers:**
    - **country risk** -- including both the customer’s nationality, residence, country of operation and country of incorporation and the nationality and/or residence of the beneficial owner(s);
    - **industry risk** – the customer’s occupation or the industry in which they are engaged;
    - **product and services risk** – the type of the Group products or services being used by the customer and how those products or services are delivered (e.g. non-face-to-face);
    - **entity risk** – the legal form taken by the customer and its susceptibility to being used for money laundering; and
    - **PEP and reputation risk** – whether the customer or beneficial owner is a Politically Exposed Person (PEP) or where there is negative information concerning the customer that may affect Group’s reputation.”
- (*Uni Credit Bank Czech Republic and Slovakia a . s . AML Program,2020, p.1*)

## Bank Transparency in Hungary

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- “The Bank shall assign to each customer a risk level based on risk indicators which take into consideration:
  - **the legal status;**
  - **the volume of transactions;**
  - **the type of products and services requested including the volume of cash transactions;**
  - **the type of customer’s business and the activities carried out;**
  - **the financial circumstances;**
  - **the geographical area of residence or of the business conducted;**
  - **the reputation of the origin country;**
  - **the number and type of business relationships;**
  - **the consistency of the explanations offered by the client and the threshold limits established**

The Bank shall assess all new products and services with regard to the associated risk related to money laundering and terrorism financing. **Before launching any new products and services, the responsible product management staff shall perform the risk analysis from AML/AT perspective and shall request an opinion from the AML Compliance Unit with regard to the results of the risk analysis.**

The risk profile shall be regularly updated”. (*KYC/AML/CTF/International Sanctions Program*, 2020, p.3)

- The company also discloses the information on “Continuous monitoring of the customers business relationship” (*KYC/AML/CTF/International Sanctions Program*, 2020, p.4)

### Question 7 and 8 - MIDDLE

- “oversight regarding the investigation of any reported acts of Bribery and Corruption, involving the Group Head of Anti-Corruption, whenever deemed appropriate. For this purpose the Local AntiCorruption Officer shall have the power to investigate any suspected or actual cases of acts of Bribery and Corruption, to ask for and review all documents and to escalate any such cases to the local Chief Executive Officer or other relevant Board member and, if necessary, to the relevant Authorities” (*Anti-Bribery and Anti-Corruption*, 2018, p.3)
- “1.3.1 UniCredit and Group Legal entities”

“The Board of Directors of UniCredit, the Chief Executive Officer, the General Manager, as well as the rest of the Top Management of UniCredit and of Group Legal Entities are responsible for creating a general risk culture in the organization and ensuring the oversight of the desired conduct. In this regard, they play an active role to enforce the standards described in this policy group level”

7: The company was evaluated as “MIDDLE” because there is no evidence, for example, that the company assures that staff conducting investigations are properly trained and the

company reviews its investigations procedures at least every three years . In order to receive the higher score, the company needs to include the above points in corporate reports or policies.

8: The company was evaluated as “MIDDLE” because there is no evidence that an appropriate senior individual is ultimately responsible for ensuring the disclosure of criminal offences to relevant authorities. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 9 - HIGH

- “Training is an essential element of implementing and enforcing this Policy, in this regard, the Group undertakes to provide up to date, mandatory training on whistleblowing to all Employees which outlines the relevant procedures to follow and the potential consequences should misconduct occur” (Whistleblowing, 2019, p.9)
- “3.2.1 Training”  
“One of the key tasks of UniCredit Group’s Anti-Bribery and Anti-Corruption Programme is to establish and maintain a culture where bribery or corruption is never acceptable. For this purpose the Group is investing in its Employees’ knowledge and awareness.

In order to **ensure a minimum Employees’ knowledge of anti-bribery and anti-corruption, UniCredit and its Legal Entities put in place a mandatory training**. All employees are required to undertake an anti-bribery and anti-corruption training **at least every two years**, and new joiners for the Group within three months of joining. Both types of training **should incorporate information on the Company’s anti-bribery and anti-corruption internal rules, including details of relevant contacts for anti-bribery and anti-corruption reporting and escalation**. In most case the training is to be provided online. Whenever not possible to deliver it online, face-to-face trainings are to be provided.

**Each Group Legal Entity should also ensure a tailored training to different business areas or key senior management, front office and/or support staff, identified as having greatest exposure to anti-bribery and anti-corruption issues or who are involved in the operation of key anti-bribery and anti-corruption controls.**

Each Group Legal Entity should ensure it promptly communicates significant changes to anti-bribery and anti-corruption regimes, changes to local policies and operational regulation or internal systems and controls, to all relevant staff”. (*Anti-Bribery and Anti-Corruption*, 2018, p.13)

## Bank Transparency in Hungary

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### Question 10 - HIGH

- **The company discloses in Wolfsberg Questionnaire that training which “is targeted to specific roles, responsibilities and high risk products, services and activities” is offered. This training is offered to Board and Senior Committee Management as well (Q 99a, 100)**

### Question 11 - MIDDLE

- Each Group Legal Entity should ensure it promptly communicates significant changes to anti-bribery and anti-corruption regimes, changes to local policies and operational regulation or internal systems and controls, to all relevant staff”. (*Anti-Bribery and Anti-Corruption*, 2018, p.13)

The company was evaluated as “MIDDLE” because the company has a minimum requirement of training but there is no evidence that the company frequently reviews training programs through dedicated questions in staff surveys. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 12 - LOW

There was no publicly available data to prove the company has an incentive scheme in the whistleblowing policy.

### Question 13 - LOW

There was no publicly available data to prove the company commits to and assure that will support and protect employees, even when it might result in a loss of business.

### Question 14 - MIDDLE

- “The whistleblowing channels guarantee the confidentiality of the identity of the whistleblower, unless the whistleblower agreed to the disclosure of his/her identity” (*Whistleblowing*, 2019, p.3)
- “UniCredit Group grants the whistleblower protection against any form of retaliation, discrimination or penalization as a result of having made the Report in good faith” (*Whistleblowing*, 2019, p.7)

The company was evaluated as “MIDDLE” because there is no evidence that the company assures itself of employee’s confidence in this commitment through surveys. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 15 - HIGH

- “**Whistleblowing channels provided** for sending Reports, even if anonymous, are one or more of the following dedicated channels able to ensure the confidentiality of whistleblower’s identity:
  - **by phone;**
  - **on a dedicated website;**
  - **by an email address;**
  - **in paper form to a specific address**
  - **by physical meeting”** (*Whistleblowing*, 2019, p.3-4)

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Global Policy: Anti-Bribery and Anti-Corruption (2018)

[https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/governance/governance-system-and-policies/policies-and-documents/ABC-Policy\\_Final\\_ENG.pdf](https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/governance/governance-system-and-policies/policies-and-documents/ABC-Policy_Final_ENG.pdf)

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Integrated Report (2019)

[https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/sustainability-reports/2019/IR\\_ENG2019\\_LINK.pdf](https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/sustainability-reports/2019/IR_ENG2019_LINK.pdf)

Sustainability Reports: Supplement (2017)

[https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/sustainability-reports/2017/Singlechapters/UC\\_IR\\_ENG2017\\_supplement\\_ENG.pdf](https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/sustainability-reports/2017/Singlechapters/UC_IR_ENG2017_supplement_ENG.pdf)

KYC/AML/CTF/International Sanctions Program (2020)

<https://www.unicredit.ro/content/dam/cee2020-pws-ro/DocumentePDF/Banci-corespodente/KYC-AML-Policy-UCB.pdf>

UniCredit Bank Czech Republic and Slovakia a.s. AML Program (2020)

[https://www.unicreditbank.sk/content/dam/cee2020-pws-sk/sk-dokumenty/o\\_banke/AML-documents/UCB\\_CZSK\\_AML%20Program.pdf](https://www.unicreditbank.sk/content/dam/cee2020-pws-sk/sk-dokumenty/o_banke/AML-documents/UCB_CZSK_AML%20Program.pdf)

Wolfsberg Questionnaire (2019)

<https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/info/Wolfsberg-CBDDQ.pdf>

## Bank Transparency in Hungary

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### (iii) OTP Bank: 1.27 (Middle)

#### Question 1 - HIGH

- **Dr. Sándor Csányi, Chairman & CEO of OTP Bank** states that “our efforts to develop domestic bond markets and our transparent information practices have also been recognized” (*Annual Report*, 2019, p.6; emphasis added)
- As Dr. Sándor Csányi mentioned, OTP banks **received Transparency award**, which recognizes the active attempts for transparent companies in Hungary (*Annual Report*, 2019, p.6)
  - The BÉT Legek (Best of BSE 2017) Awards. See for details from *Budapest Stock Exchange*.
- As an another message from Chairman and CEO, Dr. Sándor Csányi states as follows: “As an ethical and law-abiding institution, the Bank and its entire management are **committed to complying with all laws, including anti-corruption laws**, and follows the principle of **zero-tolerance in respect of corruption and bribery** – it is strictly against all forms of corruption, and supports anti corruption conduct”. (*Code of Conduct*, n.d., p.3; emphasis added)

#### Question 2 - HIGH

- “Money laundering is **any act or attempted act by criminals or other persons to conceal or disguise the identity of obtained proceeds of criminal offences so that they appear to have originated from legitimate sources, for which they may try using the services of financial institutions**” (*Annual Report*, 2019, p.324)
- “the Bank is required to identify and assess the money laundering and financing of terrorism risk factors relating to the nature and size of the business relationship or the type and value of the transaction, the customer, the product, the services, the geographic location and the delivery channel to which the Bank may request further data about the occupation of the customer, the expected turnover of the account, the sending and target countries of the wire transfers and the partners of the customer”. (*Announcement on OTP Bank Plc’s rules of customer identification*, 2020, p.9)

#### Question 3 - HIGH

- Record-Keeping:  
“Mandatory data processing: Personal data defined in the law on preventing money laundering and terrorist financing shall be retained by OTP Bank Plc. **for eight (8) years, as required by the referenced act**” (*General Business Regulations for agreements concluded as from 15 March 2014*, 2014, p.11)
- Additional information on documentation is publicly available from *Announcement on OTP Bank Plc’s rules of customer identification*

### Question 4 - HIGH

- Classified into three types of corruption and provided definitions: “**Active corruption**”, which means “the act of offering or promising to offer a benefit or advantage to exert undue influence over others”, and “**passive corruption**”, which refers to “receiving/ accepting/ soliciting a benefit or advantage for performing an act that would not otherwise have been performed or for omitting to perform an act that would otherwise have been performed” (*OTP Bank Plc’s Anti-Corruption Policy*, n.d., p.1)
- *OTP Bank Plc’s Anti-Corruption Policy* also lists the risks of corruption explicitly: **management of gifts and business hospitality expenses; charity and sponsorship; liaison with contractual partners; purchase, management and maintenance of investments and assets; hiring new staff; procurement, management and sale of real estate** (*OTP Bank Plc’s Anti-Corruption Policy*, 2020, p.2)

### Question 5 - HIGH

- “Customary gifts, for business purposes, may be given and accepted; however, the total monetary value of gifts given or accepted within one quarter **must not exceed HUF 50,000**” (*Code of Conduct*, n.d., p.7)

### Question 6 - HIGH

- “Activities most exposed to the risk of corruption: **management of gifts and business hospitality expenses; charity and sponsorship; liaison with contractual partners; purchase, management and maintenance of investments and assets; hiring new staff; procurement, management and sale of real estate**. The list above is non exhaustive, and the Bank shall also devote attention to any other activities that may carry corruption risk” (*OTP Bank Plc’s Anti-Corruption Policy*, 2020, p.2)
- The Bank’s potentially affected organisational units and activities represent different corruption risks. The Bank performs a risk-based assessment at predefined intervals to determine which organisational units and activities are in the current focus of the anti-corruption activity. (*OTP Bank Plc’s Anti-Corruption Policy*, 2020, p.3)

### Question 7 - MIDDLE

- “It operates an internal control and information system designed to prevent banking or financial transactions that might enable, or in themselves constitute, money laundering” (*Annual Report*, 2019, p.324)
- “The Bank’s Compliance Directorate monitors the enforcement of this Policy during the Bank’s activities, as well as its compliance with the applicable legal regulations and any other requirements and business practices. If the Compliance Directorate detects or becomes aware of any anomaly or irregularity, it shall initiate the review – and modification, as appropriate – of the provision, and notifies the management



## Bank Transparency in Hungary

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bodies of the deficiency or irregularity detected”. (*OTP Bank Plc’s Anti-Corruption Policy, 2020, p.5*)

The company was evaluated as “MIDDLE” because there is no evidence, for example, that the company assures that staff conducting investigations are properly trained and the company reviews its investigations procedures at least every three years . In order to receive the higher score, the company needs to include the above points in corporate reports or policies.

### Question 8 - MIDDLE

- “OTP Bank cooperates with the criminal investigation authorities in the investigation of all circumstances suggestive of money laundering (*Anti-Money Laundering Declaration of OTP Bank Plc, 2020, p.1*)

The company was evaluated as “MIDDLE” because there is no evidence that an appropriate senior individual is ultimately responsible for ensuring the disclosure of criminal offences to relevant authorities. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 9 - MIDDLE

- “Since standing up against corruption is also a priority concern in business relations, the Bank exercises particular care to ensure that all of its staff and contractual partners are fully aware of the provisions of this Policy. To that end, the Bank provides free access to this Policy at all times, and expects all of its staff and contractual partners to familiarise themselves with the provisions thereof” (*OTP Bank Plc’s Anti-Corruption Policy, 2020, p.5*)

The company was evaluated as “MIDDLE” because the company does not disclose how frequently training is conducted. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 10 - LOW

The company was evaluated as “LOW” because there is no evidence that the company tailors its anti-bribery and AMP training program to the different levels of risk. Unlike the other companies in this research, the company does not disclose any relevant information of the tailored training in Wolfsberg Questionnaire.



### Question 11 - MIDDLE

- “ their relevant employees are aware of the provisions in force relating to money laundering and terrorist financing, that they are able to recognize operations, business relationships and transactions which may be related to money laundering or terrorist financing, and to instruct them as to how to proceed in such cases when noticing information, facts or circumstances that may suggest money laundering or terrorist financing. As a minimum requirement employees shall have training at least once a year” (*Policy on the prevention and combating of money laundering and terrorist financing*, 2018, p.5)

The company was evaluated as “MIDDLE” because the company has a minimum requirement of training but there is no evidence that the company frequently reviews training programs through dedicated questions in staff surveys. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 12 - LOW

There was no publicly available data to prove the company has an incentive scheme in the whistleblowing policy.

### Question 13 - LOW

There was no publicly available data to prove the company commits to and assure that it will support and protect employees, even when it might result in a loss of business.

### Question 14 - MIDDLE

- “Notifiers may not be subject to any discrimination or unfair treatment in relation to their report. Offences may also be reported anonymously” (*OTP Bank Plc’s Anti-Corruption Policy*, 2020, p.6)

The company was evaluated as “MIDDLE” because there is no evidence that the company assures itself of employee’s confidence in this commitment through surveys. Although there is information that *Code of Ethics and whistleblowing* is available for employees, the code is not available to the public. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 15 - MIDDLE

- “The Bank has set up an ethics reporting system (whistleblowing), which is for the reporting and the handling of the reports on suspected or actual violation of the values set forth in the Code of Ethics, where anonymous reporting of ethics issues is also possible. The Bank conducts inquiries for the purpose of detecting, preventing anomalies in connection with reports made or anomalies it became aware of

## Bank Transparency in Hungary

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otherwise. Through the Bank's ethics reporting system a total of 14 reports were received in 2019, six of them was reclassified as complaints and two case's investigation resulted in declaring ethics offense – though not due to corruption, bribery or discrimination” (*Annual Report*, 2019, p.75)

The company was evaluated as “MIDDLE” because the company has a whistleblowing channel but there is no evidence that the company has additional channels to report unethical cases. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### References

Announcement of customer identification (2020)

[https://www.otpbank.hu/static/portal/sw/file/Ugyfelazonositas\\_H\\_20200409\\_ENG\\_v2.pdf](https://www.otpbank.hu/static/portal/sw/file/Ugyfelazonositas_H_20200409_ENG_v2.pdf)

Annual Report (2019)

[https://www.otpbank.hu/static/portal/sw/file/Annual\\_Report\\_2019\\_1.pdf](https://www.otpbank.hu/static/portal/sw/file/Annual_Report_2019_1.pdf)

[https://www.otpbank.hu/static/portal/sw/file/Annual\\_Report\\_2019\\_3.pdf](https://www.otpbank.hu/static/portal/sw/file/Annual_Report_2019_3.pdf)

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Budapest Stock Exchange (2017)

<https://bse.hu/About-Us/Press-Room/Press-Releases/Budapest-Stock-Exchange-recognises-the-best-stock-exchange-performances-of-2017>

Code of Ethics (n.d.)

[https://www.otpbank.hu/static/portal/sw/file/OTP\\_EtikaiKodex\\_EN.pdf](https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf)

General Business Regulations for agreements concluded as from 15 March 2014 (2014)

[https://www.otpbank.hu/static/portal/sw/file/Altalanos\\_USZ\\_20140315\\_utan\\_ENG\\_20180426.pdf](https://www.otpbank.hu/static/portal/sw/file/Altalanos_USZ_20140315_utan_ENG_20180426.pdf)

OTP Bank Plc's Anti-Corruption Policy (2020)

[https://www.otpbank.hu/static/portal/sw/file/OTP\\_Anti\\_Corruption\\_Policy\\_2020.pdf](https://www.otpbank.hu/static/portal/sw/file/OTP_Anti_Corruption_Policy_2020.pdf)

Policy on the prevention and combating of money laundering and terrorist financing (2018)

[https://www.otpbanka.hr/sites/default/files/dokumenti/korisne-informacije/aml\\_ctf\\_policy\\_290518.pdf](https://www.otpbanka.hr/sites/default/files/dokumenti/korisne-informacije/aml_ctf_policy_290518.pdf)

Wolfsberg Questionnaire (2019)

[https://www.otpbank.hu/static/portal/sw/file/Wolfsberg\\_s\\_FCCO\\_OTP\\_Bank\\_Plc\\_2019.pdf](https://www.otpbank.hu/static/portal/sw/file/Wolfsberg_s_FCCO_OTP_Bank_Plc_2019.pdf)

### (iv) K&H Bank: 1.20 (Middle)

#### Question 1 - HIGH

- **"Leadership Level Commitment"** is the commitment of the top management to prevent bribery of the related persons. Management needs to develop a corporate culture in which bribery is under no circumstances acceptable and should take responsibility for the effective planning and implementation of the Anti-Corruption Program. The Executive Committee has approved an Anti-Corruption Strategy that incorporates all relevant provisions and principles in the Group Compliance Rule, including the implementation strategy. This document is prepared by the Bank Compliance Directorate" (*Announcement: Anti-corruption Strategy*. n.d, p.1)

#### Question 2 -MIDDLE

- "Money laundering is **any act or attempted act by criminals or other persons to conceal or disguise the identity of obtained proceeds of criminal offences so that they appear to have originated from legitimate sources, for which they may try using the services of financial institutions**" (*Annual Report*, 2019, p.324)
- Risk: **"I. Special Risk Countries (SRCs)** – The most oppressive Regimes
  - Democratic People's Republic of Korea (North Korea)
  - Republic of the Sudan
  - Syria
  - Congo, Democratic Republic of the
  - Libya
  - Somalia
  - South Sudan
  - Central African Republic
  - Eritrea
  - Equatorial Guinea
  - Turkmenistan
  - Tajikistan
  - Uzbekistan
  - Chad
  - Yemen

**From risk point of view countries identified as Tax heaven, Offshore, Corruption, High Money Laundering or Fraud risk are also considered as high risk. Lists are created based on the international standards"** (*Risk Appetite*, n.d., p.2)

## Bank Transparency in Hungary

The company was evaluated as “MIDDLE” because, while the company describes the risks of money laundering, the company does not provide any relevant definitions of money laundering. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 3 - HIGH

- The company discloses in Wolfsberg Questionnaire that the company has “a record retention procedures that comply with applicable laws” (**five years or more**; Q45a)

### Question 4 - HIGH

- Definition: “Bribery”  
“As different (local and international) definitions of bribery exist, in this Regulation the term bribery is not used in a legal sense but in its common meaning.
  - Paying/offering bribes with the intention to influence the recipient improperly (active corruption).
  - Receiving/accepting bribes for doing something which would not have been done otherwise or to refrain from doing something which would have been done otherwise (passive corruption).
  - Promising or giving advantages to public officials who are not permitted to be influenced with the intention to obtain an advantage or to obtain a business (public corruption).

In the frame of the Anti-Corruption Program, the Bank Group is definitely active against any form of bribery beyond the above mentioned cases”

*(Announcement: Anti-corruption Strategy. n.d, p.3)*

- Risk: “**I. Special Risk Countries** (SRCs) – The most oppressive Regimes
  - Democratic People’s Republic of Korea (North Korea)
  - Republic of the Sudan
  - Syria
  - Congo, Democratic Republic of the
  - Libya
  - Somalia
  - South Sudan
  - Central African Republic
  - Eritrea
  - Equatorial Guinea
  - Turkmenistan
  - Tajikistan
  - Uzbekistan
  - Chad
  - Yemen

**From risk point of view countries identified as Tax heaven, Offshore, Corruption, High Money Laundering or Fraud risk are also considered as high risk. Lists are created based on the international standards”** (*Risk Appetite*, n.d., p.2)

### Question 5 - HIGH

- **“Maximum value per gift/entertainment: EUR 500 per person, per counterparty and per year”**
- **“The maximum value of the gifts/entertainments/occasions is EUR 250** If the value of gift/entertainment per occasion exceeds the limit of EUR 250 but doesn't exceed the limit of EUR 500, prior explicit and written approval by the Executive Committee member in the line involved is needed in accordance with Principle VIII”.
- If the maximum value per gift/entertainment or the maximum cumulative value of EUR 500 per calendar year is exceeded, explicit written approval by the Executive Committee is required in accordance with Principle VIII.
- Accepting invitations for events including accommodation and/or travel expenses are allowed as long as they are within the limit of the maximum value as stated above. If the threshold is exceeded, prior explicit and written approval by the Executive Committee member in the line involved is needed in accordance with Principle VIII.
- The threshold limit does not apply if specific budgets are approved for events organized for a group of customers.” (*Announcement: Anti-corruption Strategy*. n.d, p.3)

### Question 6 - HIGH

- **“I. Special Risk Countries (SRCs) – The most oppressive Regimes**
  - Democratic People’s Republic of Korea (North Korea)
  - Republic of the Sudan
  - Syria
  - Congo, Democratic Republic of the
  - Libya
  - Somalia
  - South Sudan
  - Central African Republic
  - Eritrea
  - Equatorial Guinea
  - Turkmenistan
  - Tajikistan
  - Uzbekistan
  - Chad
  - Yemen

**From risk point of view countries identified as Tax heaven, Offshore, Corruption, High Money Laundering or Fraud risk are also considered as high**

## Bank Transparency in Hungary

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**risk. Lists are created based on the international standards”** (*Risk Appetite*, n.d., p.2)

- **“We act prudently and immediately terminate our relationship with any clients suspected of money laundering** and thus representing a major reputation risk for the Bank” (Sustainability - guiding principles, n.d., p.13)

### Question 7 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that the company appoint “officers with sufficient experience/expertise” (Q19a)

The company was evaluated as “MIDDLE” because there is no evidence, for example, that the company reviews its investigations procedures at least every three years . In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 8 - MIDDLE

- “ All suspicious activities and transactions are reported to the relevant authorities, and we maintain and store all data needed for client identification, account information and correspondence related to accounts as stipulated by law” (Sustainability – guiding principles, n.d., p.13)

The company was evaluated as “MIDDLE” because there is no evidence that an appropriate senior individual is ultimately responsible for ensuring the disclosure of criminal offences to relevant authorities. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 9 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that training which “is targeted to specific roles, responsibilities and high risk products, services and activities” is offered. (Q 99a, 100)
- Employee training: “We consider our responsibilities for employees equally important. We provide regular language and professional training, and organise career-training and mentoring programmes for them” (Sustainability – guiding principles, n.d., p.10)

The company was evaluated as “MIDDLE” because the company does not disclose how frequently training is conducted and whether training is systematically provided to all employees across all divisions. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 10 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that training which “is targeted to specific roles, responsibilities and high risk products, services and activities” is offered. This training is NOT offered to Board and Senior Committee Management as well (Q 99a, 100)

The company was evaluated as “MIDDLE” because the company does not offer compliance (AML) training to the Board and Senior Committee Management, unlike other companies. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 11 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that training is periodically reviewed (Q16).

The company was evaluated as “MIDDLE” because the company has a minimum requirement of training but there is no evidence that the company frequently reviews training programs through dedicated questions in staff surveys. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 12 - LOW

There was no publicly available data to prove the company has an incentive scheme in the whistleblowing policy.

### Question 13 - LOW

There was no publicly available data to prove the company commits to and assure that will support and protect employees, even when it might result in a loss of business.

### Question 14 - MIDDLE

- “K&H is committed to operating with integrity, to having a transparent organisational structure, and to ensuring that its employees can express their valid concerns and suspicions without any fear. We encourage our employees to report any and all suspected cases of irregular conduct. To this end, all relevant companies in K&H Group have adopted a regulation concerning the management of internal whistle-blowing” (Sustainability – guiding principles, n.d., p.13)



## Bank Transparency in Hungary

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The company was evaluated as “MIDDLE” because there is no evidence that the company assures itself of employee’s confidence in this commitment through surveys. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 15 - MIDDLE

- “K&H is committed to operating with integrity, to having a transparent organisational structure, and to ensuring that its employees can express their valid concerns and suspicions without any fear. We encourage our employees to report any and all suspected cases of irregular conduct. To this end, all relevant companies in K&H Group have adopted a regulation concerning the management of internal whistle-blowing” (Sustainability – guiding principles, n.d., p.13)

The company was evaluated as “MIDDLE” because the company has an whistleblowing channel but there is no evidence that the company has additional channels to report unethical cases. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### References

Announcement: Anti-corruption Strategy (n.d.)

<https://www.kh.hu/documents/2074024/2184920/Anti-corruption+Strategy.pdf/64ddc2fd-7c36-437a-99b2-8c3c7f4ef0f8?t=1524842702925>

Risk Appetite Statement (n.d.)

<https://www.kh.hu/documents/2074024/2184920/Risk+Appetite.pdf/e5895d24-1de6-4142-bec3-da3349762049?t=1499422782478>

Sustainability – guiding principles (n.d.)

[https://www.banktrack.org/download/sustainability\\_principles\\_1/sustainabiliyu\\_guide\\_lines\\_principles.pdf](https://www.banktrack.org/download/sustainability_principles_1/sustainabiliyu_guide_lines_principles.pdf)

Wolfsberg Questionnaire (2019)

<https://www.kh.hu/documents/20184/488389/Wolfsberg+k%C3%A9rd%C5%91%C3%ADv.pdf/229bfaf7-b2eb-4ac0-a7c1-cbcff4d8a446?t=1551273200082>

### (v) CIB: 1.00 (Middle)

#### Question 1 - MIDDLE

- In the Wolfsberg Questionnaire, the company states that AML policy is “approved at least annually by the Board or equivalent Senior Management Committee receive” (Wolfsberg Questionnaire, 2019, Q21)

The company was evaluated as “MIDDLE” because AML and anti-bribery policy seems to be authorized and supported by a senior figure other than the Company Leadership. In order to receive the higher score, the company needs to improve the above point in corporate reports or policies.

#### Question 2 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that the company’s AML policy covers the inherent risk components” (Client, product, channel, and geography; Q47, 47a-d)

The company was evaluated as “MIDDLE” because, while the company describes the risks of money laundering, the company does not provide any relevant definitions of money laundering. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

#### Question 3 - HIGH

- The company discloses in Wolfsberg Questionnaire that the company has “a record retention procedures that comply with applicable laws” (**five years or more**; Q45a)

#### Question 4 - HIGH

- “ It therefore covers both “active corruption” (offering) and “passive corruption” (acceptance), and the case that a public body is involved (“public corruption”) as well as relations between private individuals (“private corruption”), whether corruption that is aimed at performance of an act that is a breach of one’s own official duties (“direct corruption”) or that which has as its purpose the performance of an act by one’s office (“indirect corruption”), whether “pre-existing corruption” or that which is “subsequent” to performance of the office duties” (*Anti-corruption Guideline of CIB Group in accordance with ISP Anti-corruption Guidelines*, n.d., p.3)
- The company discloses in Wolfsberg Questionnaire that the company’s AML policy covers the inherent risk components” (**Client, product, channel, and geography**; 47, 471-d)

## Bank Transparency in Hungary

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### Question 5 -HIGH

- “Acts of commercial and/or institutional courtesy of modest value refers to gifts or any other benefits (e.g. invitations to sporting events, shows and entertainment, free tickets, etc.),that do not exceed the value of €150 in a calendar year. Any gifts or other benefits exceeding the value of €150 may be permissible in exceptional cases, taking into account the profile of the donor and/or recipient, and in any event within reason, with authorisation from their hierarchical superior at least equivalent to Head Office or Regional Department or equivalent from the corporate structure” (*Anti-corruption Guideline of CIB Group in accordance with ISP Anti-corruption Guidelines*, n.d., p.5)

### Question 6 - HIGH

- The company discloses in Wolfsberg Questionnaire that the company’s AML policy covers the inherent risk components” (**Client, product, channel, and geography**; 47, 471-d)
- “The Group has identified, from the relevant international standards, the following areas in which there is a greater risk of, or which may be instrumental to the commission of, corrupting behaviour: gifts and entertainment expenses; charity donations and sponsorships; relationships with third parties (suppliers and others who collaborate with the Group); purchase, management and disposal of investments and other assets; hiring of staff; purchase, management and sale of real estate”( *Anti-corruption Guideline of CIB Group in accordance with ISP Anti-corruption Guidelines*, n.d., p.4-5)

### Question 7 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that the company appoint “officers with sufficient experience/expertise” (Q19a)

The company was evaluated as “MIDDLE” because there is no evidence, for example, that the company reviews its investigations procedures at least every three years . In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 8 - LOW

There was no publicly available data to prove the company has procedures which include a commitment to report material findings to relevant law enforcement authorities.

## Appendix: Evaluation in Detail

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### Question 9 - MIDDLE

- “The interactive educational material, prepared in 2012 and re-drafted in 2019, serves as the basis for an online training course all employees are required to complete.”  
(*Ethics and conduct*, n.d., para.4)

The company was evaluated as “MIDDLE” because the company has a minimum requirement of training but there is no evidence that the company frequently reviews training programs through dedicated questions in staff surveys. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 10 - HIGH

- **The company discloses in Wolfsberg Questionnaire that training which “is targeted to specific roles, responsibilities and high risk products, services and activities” is offered. This training is also offered to Board and Senior Committee Management as well (Q 99a, 100)**

### Question 11 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that training is periodically reviewed (Q19g).

The company was evaluated as “MIDDLE” because the company has a minimum requirement of training but there is no information available on how often the company reviews and updates training programs. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 12 - LOW

There was no publicly available data to prove the company has an incentive scheme in the whistleblowing policy.

### Question 13 - LOW

There was no publicly available data to prove the company commits to and assure that will support and protect employees, even when it might result in a loss of business.

### Question 14 - LOW

There was no publicly available data to prove the company has a non-retaliation policy.

### Question 15 - LOW

There was no publicly available data to prove the company has any whistleblowing channels.

# Bank Transparency in Hungary

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## References

Anti-corruption Guideline of CIB Group in accordance with ISP Anti-corruption Guidelines (n.d.)

[https://www.cib.hu/document/documents/CIB/kommunikacio/CSR/antikorrupcios\\_iranyelvek\\_180205\\_en.pdf](https://www.cib.hu/document/documents/CIB/kommunikacio/CSR/antikorrupcios_iranyelvek_180205_en.pdf)

Ethics and Conduct (n.d.)

<https://www.cib.hu/en/Maganszemelyek/rolunk/fenntarthatosag/vallalatiranyitas.html>

Wolfberg Questionnaire (2019)

[https://www.cib.hu/document/documents/CIB/kommunikacio/wolfsburg\\_20190809.pdf](https://www.cib.hu/document/documents/CIB/kommunikacio/wolfsburg_20190809.pdf)

### (vi) MKB: 0.93 (Low)

#### Question 1 - MIDDLE

- In the Wolfsberg Questionnaire, the company states that AML policy is “approved at least annually by the Board or equivalent Senior Management Committee receive” (Wolfsberg Questionnaire, 2019, Q21)

The company was evaluated as “MIDDLE” because AML and anti-bribery policy seems to be authorized and supported by a senior figure other than the Company Leadership. In order to receive the higher score, the company needs to improve the above point in corporate reports or policies.

#### Question 2 - HIGH

- Definition: The company states “money laundering often takes the form of **hiding illegally obtained income by using the legitimate services of financial institutions**”
- Risk1: “RESTRICTIONS”  
“The following industries are representing high risk. In these cases, MKB Bank Zrt. reserves the right to **request additional documentation** when establishing a customer relationship to better understand the nature of the customer’s business”.
  - **“Gambling organisation”**
  - **“Foundation established abroad”**
  - **“Fiduciary Asset Manager”**
  - **“Payment service provider”**
  - **“Electronic money institution”**
  - **“Financial service provider operating a payment system”**

*(Risk appetite, n.d, p.3)*
- Risk 2: “HIGH-RISK COUNTRIES”  
“From a risk perspective, countries that have been identified as being:
  - **“Tax havens”,**
  - **“Offshore areas”,**
  - **“From a Corruption, Money Laundering or Fraud aspect they are considered as high risk and therefore are subject to enhanced due diligence”**

*(Risk appetite, n.d, p.3)*

## Bank Transparency in Hungary

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### Question 3 - HIGH

- “On the basis of the identification it records the details of the business relationship, the transaction order and also regularly monitors the relationship.” (*AML and Anti-Terrorist Financing Policy*, n.d., p.2)
- “In addition, MKB Bank may also record the conditions of execution (place, time, mode) if it is necessary to prevent money laundering and terrorist financing” (*AML and Anti-Terrorist Financing Policy*, n.d., p.2)
- The company discloses in Wolfsberg Questionnaire that the company has “a record retention procedures that comply with applicable laws” (**five years or more**; Q19a)

### Question 4 - MIDDLE

- “RESTRICTIONS”

“The following industries are representing high risk. In these cases, MKB Bank Zrt. reserves the right to request additional documentation when establishing a customer relationship to better understand the nature of the customer’s business”.

  - “Gambling organisation”
  - “Foundation established abroad”
  - “Fiduciary Asset Manager”
  - “Payment service provider”
  - “Electronic money institution”
  - “Financial service provider operating a payment system”

*(Risk appetite, n.d, p.3)*
- “HIGH-RISK COUNTRIES”

“From a risk perspective, countries that have been identified as being:

  - “Tax havens”,
  - “Offshore areas”,
  - “From a Corruption, Money Laundering or Fraud aspect they are considered as high risk and therefore are subject to enhanced due diligence”

*(Risk appetite, n.d, p.3)*

The company was evaluated as “MIDDLE” because there is no evidence to suggest that the company specifically describes the definitions of corruption. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 5 -LOW

There was no publicly available data to prove the company has a policy and/or procedure on gifts and hospitality



### Question 6 - HIGH

- “RESTRICTIONS”

“The following industries are representing high risk. In these cases, MKB Bank Zrt. reserves the right to **request additional documentation** when establishing a customer relationship to better understand the nature of the customer’s business”.

- “**Gambling organisation**”
- “**Foundation established abroad**”
- “**Fiduciary Asset Manager**”
- “**Payment service provider**”
- “**Electronic money institution**”
- “**Financial service provider operating a payment system**”

*(Risk appetite, n.d, p.3)*

- “HIGH-RISK COUNTRIES”

- “**From a risk perspective, countries that have been identified as being:**

- “**Tax havens**”,
- “**Offshore areas**”,
- “**From a Corruption, Money Laundering or Fraud aspect they are considered as high risk and therefore are subject to enhanced due diligence**”

*(Risk appetite, n.d, p.3)*

### Question 7 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that the company appoint “officers with sufficient experience/expertise” (Q19a)

The company was evaluated as “MIDDLE” because there is no evidence, for example, that the company reviews its investigations procedures at least every three years . In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 8 -MIDDLE

- “All member institutions seek to create a collaborative, transparent relationship with their clients, suppliers, partners and every relevant authority or other public body”  
*(Code of Conduct, n.d., p.3)*

The company was evaluated as “MIDDLE” because there is no evidence that an appropriate senior individual is ultimately responsible for ensuring the disclosure of criminal offences to relevant authorities. In order to receive the higher score, the company

## Bank Transparency in Hungary

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needs to include the above point in corporate reports or policies.

### Question 9 - HIGH

- “Az MKB Banknál kiemelt hangsúlyt helyezünk a korrupció elkerülésére. Éppen ezért minden szakterületen dolgozó munkatársunk részt vesz korrupcióellenes képzésben”[At MKB Bank, we place special emphasis on avoiding corruption. That is why **all our employees in the field participate in anti-corruption training**] (*Fenntarthatósági Jelentés 2010*, 2010, p.4)
- “The Bank organises training for each new entrant as well as for employees who are away from work for a longer time (for at least one year), as well as organises regular **annual refreshment training for the employees**, arranges for adequate documentation of the training and for examinations testing the acquired knowledge. ” (AML and Anti-Terrorist Financing Policy, n.d., p.4)

### Question 10 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that training which “is targeted to specific roles, responsibilities and high risk products, services and activities” is offered. This training is NOT offered to Board and Senior Committee Management as well (Q 99a, 100)

The company was evaluated as “MIDDLE” because the company does not offer compliance (AML) training to the Board and Senior Committee Management, unlike other companies. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 11 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that training is periodically reviewed (Q16).

The company was evaluated as “MIDDLE” because the company has a minimum requirement of training but there is no evidence that the company frequently reviews training programs through dedicated questions in staff surveys. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 12 - LOW

There was no publicly available data to prove the company has an incentive scheme in the whistleblowing policy.

### Question 13 - LOW

There was no publicly available data to prove the company commits to and assure that will support and protect employees, even when it might result in a loss of business.

### Question 14 - LOW

There was no publicly available data to prove the company has a non-retaliation policy.

### Question 15 - LOW

There was no publicly available data to prove the company has any whistleblowing channels.

### References

AML and Anti-Terrorist Financing Policy (n.d.)

[https://www.mkb.hu/sw/static/file/AMLPolicy\\_EN.pdf](https://www.mkb.hu/sw/static/file/AMLPolicy_EN.pdf)

Code of Conduct (n.d.)

[https://www.mkb.hu/sw/static/file/item\\_5990.pdf](https://www.mkb.hu/sw/static/file/item_5990.pdf)

Fenntarthatósági Jelentés 2010 (2010)

[https://www.mkb.hu/sw/static/file/item\\_3472.pdf](https://www.mkb.hu/sw/static/file/item_3472.pdf)

Risk Appetite (n.d.)

[https://www.mkb.hu/sw/static/file/Risk\\_appetite\\_EN.pdf](https://www.mkb.hu/sw/static/file/Risk_appetite_EN.pdf)

Wolfsberg Questionnaire (2019)

[https://www.mkb.hu/sw/static/file/Wolfsberg\\_CBDDQ\\_201907.pdf](https://www.mkb.hu/sw/static/file/Wolfsberg_CBDDQ_201907.pdf)

## Bank Transparency in Hungary

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### (viii) Raiffeisen Bank: 0.87 (Low)

#### Question 1 - MIDDLE

- In the Wolfsberg Questionnaire, the company states that AML policy is “approved at least annually by the Board or equivalent Senior Management Committee receive” (Wolfsberg Questionnaire, 2019, Q21)
- Raiffeisen banks received *Pro-Ethik-Siegel des Österreichischen Werberates* [The Pro-Ethik-Siegel of the Austrian Advertising Council], which is an award for compliance and ethical rules (Auszeichnungen Von Raiffeisen, n.d., *Österreichischen Werberates*, n.d.)

The company was evaluated as “MIDDLE” because AML and anti-bribery policy seems to be authorized and supported by a senior figure other than the Company Leadership. In order to receive the higher score, the company needs to improve the above point in corporate reports or policies.

#### Question 2 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that the company’s AML policy covers the inherent risk components” (Client, product, channel, and geography; Q47, 47a-d)

The company was evaluated as “MIDDLE” because, while the company describes the risks of money laundering, the company does not provide any relevant definitions of money laundering. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

#### Question 3 - HIGH

- The company discloses in Wolfsberg Questionnaire that the company has “a record retention procedures that comply with applicable laws” (**five years or more**; Q19a)

#### Question 4 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that the company’s AML policy covers the inherent risk components” (Client, product, channel, and geography; 47, 471-d)

The company was evaluated as “MIDDLE” because there is no evidence to suggest that the company specifically describes the definitions of corruption or money laundering. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 5 - LOW

There was no publicly available data to prove the company has a procedure on anti-corruption.

### Question 6 - HIGH

- The company provides a list of politically exposed persons in its AML policy (*Information about Anti-Money Laundering*, n.d., p.1)
- The company discloses in Wolfsberg Questionnaire that the company's AML policy covers the inherent risk components" (**Client, product, channel, and geography**; 47, 471-d)

### Question 7 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that the company appoint "officers with sufficient experience/expertise" (Q19a)

The company was evaluated as "MIDDLE" because there is no evidence, for example, that the company reviews its investigations procedures at least every three years. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 8 - LOW

There was no publicly available data to prove the company has procedures which include a commitment to report material findings to relevant law enforcement authorities.

### Question 9 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that training which "is targeted to specific roles, responsibilities and high risk products, services and activities" is offered. This training is also offered to Board and Senior Committee Management as well (Q 99a, 100)

The company was evaluated as "MIDDLE" because the company does not disclose how frequently training is conducted. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 10 - HIGH

- The company discloses in Wolfsberg Questionnaire that training which "**is targeted to specific roles, responsibilities and high risk products, services and activities**" is offered. This training is **also offered to Board and Senior Committee Management** as well (Q 99a, 100)

## Bank Transparency in Hungary

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### Question 11 - MIDDLE

- The company discloses in Wolfsberg Questionnaire that training is periodically reviewed (Q16).

The company was evaluated as “MIDDLE” because the company has a minimum requirement of training but there is no evidence that the company frequently reviews and updates training programs. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 12 - LOW

There was no publicly available data to prove the company has an incentive scheme in the whistleblowing policy.

### Question 13 - LOW

There was no publicly available data to prove the company commits to and assure that will support and protect employees, even when it might result in a loss of business.

### Question 14 - LOW

There was no publicly available data to prove the company has a non-retaliation policy.

### Question 15 - MIDDLE

- “The whistleblowing system offers the right to every person that becomes aware of any suspicious actions that might bring to breaches of the regulations in place, to give this information and help on stopping it. In this way, we only respect each-other’s work” (Whistleblowing in Raiffeisen Bank, n.d.)
- “ Each person is encouraged to report any breach, if they consider this appropriate, through the following channels:
  - Via e-mail to: [wblowing@raiffeisen.al](mailto:wblowing@raiffeisen.al)
  - Via mail or verbal communication to Compliance & AML and FCM Division/FCM Department in Raiffeisen Bank Sh.a
  - Via phone at: +355 4 2275522” (Whistleblowing in Raiffeisen Bank, n.d.)

The company was evaluated as “MIDDLE” because, while the company has multiple whistleblowing channels, confidentiality is not clearly guaranteed in the policy. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### References

Auszeichnungen Von Raiffeisen, (n.d.)

<https://www.raiffeisen.at/de/meine-bank/raiffeisen-bankengruppe/auszeichnungen.html>

Information about Anti-Money Laundering

[https://ugyfeltajekoztatas.raiffeisen.hu/documents/ugyfeltajekoztatas/tajekoztato/tajekoztato\\_penzmosas\\_ellen\\_EN.pdf](https://ugyfeltajekoztatas.raiffeisen.hu/documents/ugyfeltajekoztatas/tajekoztato/tajekoztato_penzmosas_ellen_EN.pdf)

Österreichischen Werberates (n.d.)

<https://www.werberat.at/einleitung.aspx>

Whistleblowing in Raiffeisen Bank (n.d.)

<https://www.raiffeisen.at/en/about/pages/whistleblowing-in-raiffeisen-bank#>

Wolfsberg Questionnaire (2019)

[https://www.raiffeisen.at/ooe/rlb/de/meine-bank/en-investor-relations/\\_jcr\\_content/root/responsivegrid/tabaccordioncontaine/tabAccordionElements/tabaccordionelement/items/downloadlist.download.html/0/Wolfsberg%20Questionnaire.pdf](https://www.raiffeisen.at/ooe/rlb/de/meine-bank/en-investor-relations/_jcr_content/root/responsivegrid/tabaccordioncontaine/tabAccordionElements/tabaccordionelement/items/downloadlist.download.html/0/Wolfsberg%20Questionnaire.pdf)



## Bank Transparency in Hungary

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### (v) Budapest Bank: 0.53 (Low)

#### Question 1 - LOW

There was no publicly available data to prove the company's anti-bribery and AML commitment are authorized by its leadership.

#### Question 2 - MIDDLE

- “The Bank applies the risk-based approach principle, according to which distinction is made in the scope of the geographically alternate due diligence measures applicable to individual customers, products and services because the customers, products, services and geographical areas do not entail uniform risks” (*Code of Ethics*, 2020, p.4)

The company was evaluated as “MIDDLE” because, while the company describes the risks of money laundering, the company does not provide any relevant definitions of money laundering. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

#### Question 3 - MIDDLE

- “We keep all our books and records accurately to adequately reflect the real nature of all transactions.” (*Code of Ethics*, 2020, p.3)
- “The Bank applies the risk-based approach principle, according to which distinction is made in the scope of the geographically alternate due diligence measures applicable to individual customers, products and services because the customers, products, services and geographical areas do not entail uniform risks. In line with the requirements the business relations, transaction orders and acting individuals are defined where minimum or maximum data are recorded depending on whether they represent a low, medium or enhanced risk for the Bank”

The company was evaluated as “MIDDLE” because there is no evidence to suggest that the company does not specify record-keeping periods. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

#### Question 4 - MIDDLE

- “Minden alkalmazottnak ügynie kell arra, hogy a látszatát is elkerülje annak, hogy olyan juttatásokat ad vagy fogad el, amelyek célja etikátlan üzleti előnyszerzés, legyen szó a hatósági engedélyezési eljárásokról, vagy az ügyfeleknek/partnereknek nyújtott tájékoztatásról, ajánlatokról, hitelebírálásról stb.” [To all employees

care must be taken to avoid the appearance of giving or accepting benefits intended to gain an unethical business advantage, whether through official licensing procedures or information provided to customers / partners, offers, credit assessments, etc.] (*CSR jelentés 2015-2016*, p.37)

- “The Bank applies **the risk-based approach principle, according to which distinction is made in the scope of the geographically alternate due diligence measures** applicable to individual customers, products and services because the customers, products, services and geographical areas do not entail uniform risks (*Code of Ethics*, 2020, p.4)

The company was evaluated as “MIDDLE” because there is no evidence to suggest that the company specifically describes the definitions of corruption or money laundering. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 5 - MIDDLE

- “no gift can be accepted when its clear objective is an unethical business gain” (*Code of Ethics*, 2020, p.3)

The company was evaluated as “MIDDLE” because there is no evidence to suggest that the company specifies financial or proportional limit or the meaning of “unethical business gain” of the giving and receipt of gifts and hospitality. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 6 - HIGH

- “The Bank applies **the risk-based approach principle, according to which distinction is made in the scope of the geographically alternate due diligence measures** applicable to individual customers, products and services because the customers, products, services and geographical areas do not entail uniform risks (*Code of Ethics*, 2020, p.4)

### Question 7 - LOW

There was no publicly available data to prove the company assures itself of the quality of its internal investigation.

### Question 8 - LOW

There was no publicly available data to prove the company has procedures which include a commitment to report material findings to relevant law enforcement authorities.

## Bank Transparency in Hungary

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### Question 9 - MIDDLE

- “Each employee of the Bank Group must take part in the training programmes organised by the Bank and take the respective exams in order to be aware of the statutory regulations pertaining to money laundering, terrorist financing, sanctions and embargo requirements and to recognise business relationships and transaction orders facilitating or actually implementing money laundering or terrorist financing” (*Code of Ethics*, 2020, p.4)
- “Az új belépő tréning része, ezen kívül compliance oktató videók is készültek (ebből egy a megvesztegetésről szól), amely lehetőséget ad a témáról való beszélgetésre” [Part of the new entry training, in addition to compliance tutorial videos (one of which is about bribery), which provides an opportunity to discuss the topic] (*CSR jelentés 2015-2016*, p.37)

The company was evaluated as “MIDDLE” because the company does not disclose how frequently training is conducted. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 10 - LOW

There is no evidence that the company tailors its anti-bribery and AMP training program to the different levels of risk.

### Question 11 - MIDDLE

- “Regarding employee training, the Bank’s strategic approach is based on the premise of continuously maintaining and further building a development-centred culture” (*Consolidated Financial Statements*, 2017, p.47)

The company was evaluated as “MIDDLE” because the company has a minimum requirement of training but there is no evidence that the company frequently reviews training programs through dedicated questions in staff surveys. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 12 - LOW

There was no publicly available data to prove the company has an incentive scheme in the whistleblowing policy.

### Question 13 - LOW

There was no publicly available data to prove the company commits to and assure that it will support and protect employees, even when it might result in a loss of business.

### Question 14 - LOW

There was no publicly available data to prove the company has a non-retaliation policy.

### Question 15 - LOW

There was no publicly available data to prove the company has any whistleblowing channels.

### References

Code of Conduct (2020)

[https://www.budapestbank.hu/sw/static/file/BB\\_Etikai\\_Kodex\\_2020\\_ENG.pdf](https://www.budapestbank.hu/sw/static/file/BB_Etikai_Kodex_2020_ENG.pdf)

Consolidated Financial Statements (2017)

[https://www.budapestbank.hu/sw/static/file/2017\\_cons\\_eng.pdf](https://www.budapestbank.hu/sw/static/file/2017_cons_eng.pdf)

CSR jelentés 2015-2016 (2016)

[https://www.budapestbank.hu/sw/static/file/bb\\_csr\\_jelentes\\_lapozhato.pdf](https://www.budapestbank.hu/sw/static/file/bb_csr_jelentes_lapozhato.pdf)

## Bank Transparency in Hungary

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### (viv) Takarek Bank: 0.2 (Low)

#### Question 1 - MIDDLE

- In the Wolfsberg Questionnaire, the company states that AML policy is “approved by the FI’s [Financial Institution] board or a senior committee” (Wolfsberg Questionnaire, 2017, Q1)

The company was evaluated as “MIDDLE” because AML and anti-bribery policy seems to be authorized and supported by a senior figure other than the Company Leadership. In order to receive the higher score, the company needs to improve the above point in corporate reports or policies.

#### Question 2 - LOW

There was no publicly available data to prove the company has definitions or descriptions of potential risks of money laundering.

#### Question 3 - LOW

There was no publicly available data to prove the company has a procedure on AML.

#### Question 4 - LOW

There was no publicly available data to prove the company has definitions or descriptions of potential risks of corruption.

#### Question 5 - LOW

There was no publicly available data to prove the company has a procedure on anti-corruption.

#### Question 6 - MIDDLE

- “G) Korrupció elleni küzdelem; az érdek-összeütközések kezelése” [G) Fight against corruption; handling conflicts of interest]  
“Az intézmények elutasítják a korrupció és a megvesztegetés minden megnyilvánulását, legyen szó jogtalan előny ígéretéről vagy annak elfogadásáról. Ennek a követelménynek eleget téve az intézmények megfelelő, megvesztegetés- és korrupció-ellenes belső szabályokat és eljárásrendet alkalmaznak, amelyek segítségével fellépnek a megvesztegetés és a korrupció minden formájával szemben.

Az intézmények vállalják, hogy a működésük során esetlegesen felmerülő összeférhetlenségi helyzeteket megfelelően kezelik az ügyfelek és partnereik érdekeinek a védelmében. (Magatartási Kódex, n.d., p.3)

[Institutions reject all forms of corruption and bribery, be it an undue advantage promise or acceptance thereof. In meeting this requirement, institutions have an adequate anti-bribery and anti-corruption system rules and procedures are in place to deal with bribery and corruption against all its forms. The institutions undertake to deal with any conflicts of interest which may arise in the course of their activities properly managed to protect the interests of their clients and partners.] (Magatartási Kódex, n.d., p.3)

The company was evaluated as “MIDDLE” because the descriptions of the risks and procedures are weak, indirect or unspecific. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 7 - LOW

There was no publicly available data to prove the company assures itself of the quality of its internal investigation.

### Question 8 - MIDDLE

- “Az intézmény együttműködni fog a nemzetközi és nemzeti hatóságokkal [The institution will cooperate with international and national authorities.]” (Magatartási Kódex, n.d., p.3)

The company was evaluated as “MIDDLE” because there is no evidence that an appropriate senior individual is ultimately responsible for ensuring the disclosure of criminal offences to relevant authorities. In order to receive the higher score, the company needs to include the above point in corporate reports or policies.

### Question 9 - LOW

Although the company discloses in Wolfsberg Questionnaire that it “provide[s] AML training to relevant employees”, it is not clear that the training is offered to all employees.

### Question 10 - LOW

The company was evaluated as “LOW” because there is no evidence that the company tailors its anti-bribery and AMP training program to the different levels of risk. Unlike other companies in this research, the company does not disclose any relevant information of the tailored training in Wolfsberg Questionnaire.

## Bank Transparency in Hungary

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### Question 11 - LOW

There was no publicly available data to prove the company measures or reviews the efficacy of its anti-bribery and AML communications or training program..

### Question 12 - LOW

There was no publicly available data to prove the company has an incentive scheme in the whistleblowing policy.

### Question 13 - LOW

There was no publicly available data to prove the company commits to and assure that it will support and protect employees, even when it might result in a loss of business.

### Question 14 - LOW

There was no publicly available data to prove the company has a non-retaliation policy.

### Question 15 - LOW

There was no publicly available data to prove the company has any whistleblowing channels.

## References

Announcement (n.d.)

<https://takarekbank.hu/files/17/54209.pdf>

Magatartási Kódex (n.d.)

[https://www.mkb.hu/sw/static/file/item\\_5989.pdf](https://www.mkb.hu/sw/static/file/item_5989.pdf)

Wolfsberg Questionnaire (2017)

<https://www.takarekbank.hu/files/17/56824.pdf>



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*Hungary is not considered a major financial center; however, its EU membership and location make it a link between the former Soviet Union and Western Europe. The country's primarily cash-based economy and well-developed financial services industry make it attractive to foreign criminal organizations.*

NUS Department of State International Narcotics Control Strategy Report, 2016, para.1

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*Hungary ranked as the second most corrupt EU country in 2019 [...], and remains last both among the new members that joined the EU in 2004 and the V4 countries. Hungary's position has deteriorated significantly within the Central and Eastern Europe region: in seven years, it has slipped from the middle of the list to the penultimate, ninth position, tied with Romania*

Transparency International Hungary CPI 2019 full report, 2020, p.7

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