

KINSTELLAR

Navigating the  
Regulatory Landscape:  
An Overview of  
Banking as a Service

This publication is a guide to the banking as a service (“BaaS”) regulations in Kinstellar’s jurisdictions, offering insights into compliance essentials, emerging trends, and how to thrive in this dynamic environment.



HUNGARY

OVERVIEW OF KEY AREAS 

## Definitions

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API	Application Programming Interface
EBA	European Banking Authority
EIOPA	European Insurance and Occupational Pensions Authority
EMD	Directive 2009/110/EC on the taking up, pursuit and prudential supervision of the business of electronic money institutions
FoE	Freedom of Establishment
FoS	Freedom of Service
MiFID2	Directive 2014/65/EU on markets in financial instruments
PSD2	Directive (EU) 2015/2366 on payment services in the internal market

### 01. What is status of the BaaS market?

The EU directives applicable to the financial sector (e.g., CRD, PSD, EMD and MiFID) have been transposed into Hungarian law and are fully effective in Hungary.

Although to our knowledge the regulator does not have extensive experience with BaaS, Hungarian banks strongly incentivise digital banking by adjusting the pricing of digital services. The digital development level index of Hungarian banks is led by bank management, meaning that the sector is strongly committed to digitisation.

### 02. Who is the relevant regulator of banking/financial services?

The supervisory authority for the financial market in Hungary is the National Bank of Hungary (the “NBH”).

The official webpage: <https://www.mnb.hu/>

### 03. What are the main pieces of legislation in relation to banking/financial services?

The main pieces of legislation in relation to financial services in Hungary are:

- Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (“**Banking Act**”) governing the provision of financial services and banking services;
- Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (“**Investment Services Act**”) governing the provision of investment services;
- Act CCXXXV of 2013 on Payment Service Providers (“**Payment Services Act**”) governing the provision of payment services;
- Act CXXXIX of 2013 on the National Bank of Hungary (“**NBH Act**”).

Further to the main legislation, there are various other acts governing the financial services and secondary legislation issued by the NBH, mostly in the form of decrees.

### 04. What is the time length for obtaining a banking/financial services license?

Generally, the administrative time limit in NBH proceedings is three months. However, the NBH may advise the applicant within forty-five days to remedy deficiencies (on more than one occasion if necessary), and the administrative time limit shall be calculated starting from the time when the deficiencies are remedied in full. Further, the time limit in proceedings for obtaining an operating licenses may be extended on a duly justified basis on one occasion by up to three months.

Taking into consideration the above, the lengths for obtaining a financial services license are as follows:

- **Banking License:** within three months, but in the case of multiple deficiencies or deadline extensions it can be up to 9-12 months;
- **Payment Services License:** within three months, but in the case of multiple deficiencies or deadline extensions it can be up to 9-12 months;
- **E-Money Services License:** within three months, but in the case of multiple deficiencies or deadline extensions it can be up to 9-12 months;
- **Investment Services License:** within three months, but in the case of multiple deficiencies or deadline extensions it can be up to 9-12 months.

Also, in the case of certain institutions (e.g., credit institutions), a separate (foundation) licence must be obtained by the founders before they can establish a credit institution, which may later obtain a banking/financial services licence with an additional licensing stage (with deadlines similar to the ones listed above).

## 05. Are there any specific BaaS regulations?

There are no specific BaaS regulations in Hungary.

## 06. Are there any specific guidelines on BaaS published by the regulator?

The NBH has issued two guidelines that are relevant for BaaS:

- Guideline No. 10/2021. (VII.1.) of the National Bank of Hungary on certain issues related to payment initiation, account information and card-based cash-substitute payment instruments, excluding electronic money issuance services;
- Guideline No. 4/2021. (III.30.) of the National Bank of Hungary on the digital transformation of credit institutions.

## 07. Are financial institutions allowed to use financial agents?

Financial institutions can use financial agents to distribute their products and services.

BaaS may potentially function in Hungary in a manner where a non-banking entity acts as a licensed bank's:

- **tied agent** (in Hungarian: *függő ügynök*) based on registration with the NBH, where a non-banking entity may act as an agent only to one financial institution or to more than one financial institution in respect of their non-competing financial services, or
- **independent intermediary** (in Hungarian: *független közvevítő*) based on a license issued by the NBH, where a non-banking entity may act as an agent to several financial institutions in respect of competing financial services.

In both cases, the agents/intermediaries shall meet certain regulatory requirements. Registration as a tied financial agent is faster and less demanding in terms of the regulatory requirements.

To this end we note that a non-banking entity would need to be registered as a bank's financial agent for several fields, depending on the scope of services it would like to provide to its clients.

Further to the above, depending on the scope of services being provided and the actual arrangements, outsourcing requirements as outlined by the EBA's Guidelines on outsourcing arrangements may apply.

## 08. Are there any restrictions on the use of the agents by a foreign passported financial institution?

This is a rather complex subject and much depends on the circumstances. We suggest to seek advice from legal advisors or the regulator itself on the contemplated structures.

## 09. Are there any regulations on outsourcing?

Hungarian legislation for banking/financial services provides for specific requirements regarding outsourcing.

The provision of BaaS may be subject to outsourcing requirements, depending on the scope of services provided and the actual arrangements between a financial institution and a non-licensed entity. The requirements and recommendations set out in the NBH's guideline on the use of external service providers in this regard should also be considered.

## 10. Are there any sandboxes/hubs organised by the regulator?

The Hungarian financial regulator is fully committed to optimise the market capabilities for service providers.

In order to do so, the NBH has opened a platform for consultation for innovative fintech firms and established a regulatory test environment. Users can look up Hungarian legislation; request advice directly from the regulator; and test live, under real circumstances in the NBH Regulatory Sandbox, meeting tailor-made standards, while also getting to know the latest international trends.

Further information may be found at: <https://www.mnb.hu/en/innovation-hub/>

## 11. Are there any other specifics that should be considered when providing BaaS?

As the NBH does not have extensive experience regarding BaaS, before proceeding with the implementation thereof, we suggest to seek advice from legal advisors or the regulator itself.



If you're looking to delve deeper into how current national and EU regulations could affect your fintech business, our team at Kinstellar is here to help. With a unique blend of legal acumen and a keen eye for commercial opportunities, we're ready to assist you every step of the way!

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