

Summary

Regarding the questions mentioned in the resolution No 7/2 of the States Parties to the United Nations Convention against Corruption (UNCAC), **Hungary provides the following information:**

Regarding the role and competences of the National Police of Hungary:

Any cooperation activity between asset recovery authorities concerning the detection and the identification of income from criminal activities or any other possessions related to criminal activities, governed by the Decision 2007/845/JHA of the Council of the European Union is carried out by the Asset Recovery Office of the National Investigation Bureau of the Intervention Police (in Hungarian: Készenléti Rendőrség Nemzeti Nyomozó Iroda Vagyonvisszaszerzési Hivatal, hereinafter H ARO), which has been established on the 1st March of 2015.

The H ARO, as an independent criminal investigation unit of the National Police of Hungary is authorized (on the basis of the Act XXXIV of 1994 on the National Police of Hungary) to carry out operative procedures, as certain Member States carry out their asset recovery procedures exclusively in an operative way.

In this context, the H ARO responds to other Member States' asset recovery authorities' direct requests and carries out open asset investigation or operative asset detection activities with countrywide authority, based on international requests raised by CARIN (Camden Assets Recovery Interagency Network), if such activities are needed in Hungary.

On a domestic level, the H ARO – by utilizing all available channels of communication with its foreign counterparts – assists other Hungarian law-enforcement authorities (National Police, Criminal Investigative Branch of the National Tax and Customs Administration, prosecutor's offices).

In addition, H ARO, as the designated asset recovery authority of Hungary and as a national CARIN office, also accomplishes legal assistance requests and participates in Joint Investigation Teams (JIT).

The H ARO also has sole jurisdiction in Hungary to carry out asset recovery procedures (ARPs), as governed by Chapter XXVIII/B. of Act XIX of 1998. (Act on Criminal Procedures, hereinafter ACP) during which it also cooperates with both domestic and foreign law-enforcement authorities. Parallel to investigation procedures, based on § 554/Q. of the ACP (or even following the inculcation, without investigation, until the first order of the court), and based on §554/R. of the ACP, after the final conviction (if the recovery procedure ends ineffectually), asset recovery procedure can be continued.

Since September 2017, H ARO also has a sole jurisdiction for parallel investigations stipulated in the 30th recommendation of the Financial Action Task Force (hereinafter FATF). Due to its activities, H ARO has carried out certain procedures parallel to almost every kind of asset-generating facts. These main proceedings also include procedures currently in progress due to

delicts related to corruption. In connection with these proceedings, the following statements can be made:

a) Starting from 2015, at least one asset tracing/recovery procedure related to bribery & corruption has been in process each year.

b) No mutual legal assistance requests or requests for cooperation via JIT has been forwarded to Hungary in case related to main proceedings of corruption and bribery, in spite of the fact that H ARO has received both types of requests each year since 2015 and has gained both domestic and international recognition for successful operations.

c) All criminal investigations related to the main proceedings for bribery & corruption – with one single exception – have been carried out by one of the prosecutors' offices.

d) Significant part of the procedures related to main proceedings of corruption and bribery were asset detection operations, which typically involve the detection, identification and seizure of criminal assets or belongings of the affected natural or legal persons in the total amount specified by the request of the authority from which the main proceedings are carried out.

During this type of procedures, H ARO obtains and provides information on the location of the assets on the method that identified location, data, facts and circumstances that prove the assets originate of illegal activities to the law-enforcement authority, from which the main proceedings are carried out.

In these types of procedures, coercive measures are carried out by the authority responsible for the main proceedings (contrary to asset recovery proceedings carried out as parallel financial investigations, where coercive measures are solely taken by h ARO).

e) The type of the procedure carried out related to corruption and bribery is specified by the request of the authority, which carries out the main proceedings, H ARO has no influence on this and the general experience on crimes related to corruption and bribery shows that these authorities mainly request diminished proceedings from H ARO. (Related to bribery committed by an official person in misdemeanor in 2014; profiteering with influence in 2015; abuse of authority, office bribery, acceptance of office bribery in 2016 and abuse of authority and fiscal fraud, abuse of authority and office bribery in 2017, proceedings to set up further procedures have been initiated). Both regarding the amount of ongoing proceedings and regarding the amount of the wealth of the assets to be detected, the use of H ARO shows a constantly increasing tendency and from 2017, even asset recovery procedures carried out as parallel financial investigations have been requested form the authorities, which carry out the main proceedings.

f) The rate of ongoing proceedings of H ARO of asset detecting and asset recovery procedures is currently around 50-50 %.

g) Party based on these facts, partly based on the methodology developed especially for the administration of parallel financial investigations 2015, the rate of success of the measures and investigations and the value of the forfeited assets have increased significantly.

The mentioned methodology for asset recovery procedures and parallel financial investigations could finally be adopted during the first half of 2017, after creating a new department for financial analysis & evaluation, which could support the activities of the 3 other departments

specialized in the 3 main areas (investigations, international cooperation and secret investigations or reconnaissance) by providing the following services:

- a) economic operations analysis, including both regular investment and cryptocurrencies;
- b) analysis of bookkeeping, accounting and tax returns;
- c) analysis of financial status of domestic and foreign legal entities, analysis of bank accounts, securities etc.;
- d) open source internet analysis, economic-IT research;
- e) forensic activities in certain specific areas (saving, restoring and digitally analyzing data from equipment);
- f) financial/economic profiling.

H ARO is also authorized to obtain data and documentation related to the financial services systems both from domestic and foreign data owners. In that way, it can complete and amend the data available at the national FIU (Financial Intelligence Unit, hereinafter FIU) and can also provide data during investigations of such income-generating delicts, where the main proceeding of the requesting state is subject of imprisonment of at least 3 years and is based on any state of affairs recorded in EU standards (33 altogether) and no data-request of FIUs is possible for the cases, based on the regulation on money laundering. Based on the above, FIU and ARO/CARIN databases complement each other excellently and only the simultaneous use of both systems can ensure sufficient amount of data to create a relevant financial profile.

In any complicated, far-reaching, income-generating delicts, which have been committed against many plaintiffs, for a long period and continuously, with the fruition of numerous state of affairs, on an organized way or cross-border realized, the creation of a financial profile of the natural persons or business organizations and the data gathered during the realization of the investigation assists the success of the main proceedings. The financial profile is capable of concretizing the state of affairs, setting up the direction of the investigation, clarifying the pertinence of the evidences, supporting the investigation strategy and securing the detection and the seizure of the items falling under asset recovery.

The establishment of the operational economic analysis unit – as part of the parallel financial investigation – was necessary to support the main proceedings and to ensure the creation of a wide-ranged financial profile based on special economic, financial, accounting and forensic capabilities. The process of the establishment of those capabilities have already been launched at the time of the establishment of H ARO to ensure the conditions for the full completion of parallel financial investigations.

While creating the profile, a comprehensive data-collection process is carried out by H ARO, based on open and directly accessible databases and systems:

- electronic police databases Netsaru and Robotzsaru (in English: NetCop and RoboCop) ;
- central real estate register (Takarnet) ;

- domestic and international registers for legal entities (each and every entity is checked in both);
- personal and vehicle data registered in the personal register;
- persons restricted on border crossings;
- convictions in Member States;
- register of border authorities;
- register of warrants of caption;
- register of criminal background, charges and convictions;
- open, directly accessible internet sources (hereinafter OSINT);
- registry of firearms (in specific criminal cases).

From credit institutions and financial service providers, H ARO gathers the following data:

- a) information to identify any possible bank/security/foreign currency/savings/investment accounts;
- b) any safe deposit boxes rented by the subject, possible ownership of credit cards, deposit winnings, possible access right to bank accounts belonging to third persons (natural or legal)
- c) any relevant data regarding the affected person, data regarding any guarantee (collateral-based data)

The following data can be gathered from the National Tax and Customs Administration (hereinafter NAV):

- data on incise tax payments;
- tax registry ID;
- social insurance number;
- Financial Intelligence Unit databases on money laundering and financing of terrorism (FIU, Egmont-group);
- data on taxation and tax returns (mainly personal income and property acquisition tax) from the locally authorized Tax Directorates of NAV

In addition, while creating the financial profile, H ARO also addresses the below organizations:

- a) county courts in order to confirm whether the subject of the request is related to any civilian organizations/NGOs (governed by Act CLXXV. of 2011.);
- b) central register of social insurance and employment to track the existence of employment in the relevant time period (employer, legal base, timeframe, details of employment) from the Authority Department of Health Insurance of the Government Office of the Capital City of Budapest;
- c) pawn shops;

- d) debt collection services;
- e) specialized financial service providers (eg. trusts);
- f) insurance companies;
- g) investment service providers in order to identify the possible current or past existence of investments products/accounts owned by/handled by the natural/legal persons in the relevant time, that are the subjects of the investigation (investment funds, bonds, shares, structured investments etc.), or whether the subjects are or have been beneficiaries of any products owned or provided by third parties;
- h) retirement insurance service providers in order to identify the possible current or past existence accounts/products owned/handled by the natural/legal persons that are the subjects of the investigation, or whether the subjects are/have been beneficiaries of any products owned by third parties (existence, exact amount on the account and source of income on such accounts, if any);
- i) self-help insurance providers to identify possible current or past existence of accounts or other kind of products in the relevant period, owned by natural/legal persons that are the subject of the investigation; or whether the subjects are beneficiaries of any such products owned by third parties (existence, exact amount on the account and source of income on such accounts, if any);
- j) health insurance funds; to identify the current or past existence of possible accounts in the relevant period, owned by natural/legal persons that are the subject of the investigation; or whether the subjects are beneficiaries of any such products owned by third parties (existence, exact amount on the account and source of income on such accounts, if any);
- k) Hungarian Car Club, Oldtimer Department; in order to identify the possible current or past existence of any vehicles classified as museological and registered in their databases owned by the natural/legal persons that are the subject of the investigation (car product/type, license plate, date of production, date and details of purchase, date and documentation of technical examination, estimated value);
- l) Exclusive Cash Kft., Intercash Zrt., and the Department of International Money Movement Settlement of the Hungarian National Postal Services (in Hungarian Magyar Posta zRt.) in order to identify any relevant transfers made by the subjects via Western Union for the relevant time period;
- m) National Food Chain Safety Office for data on any possible registered asset (type, amount/size, date and price of purchase, type of payment, the actual value of the asset etc.);
- n) The Office of Supervision of Work of Arts of the Prime Minister's Office for registered art pieces, cultural goods etc. governed by §71 (1) d) of Act LXIV of 2001.; to identify if there are any cultural or protected assets (artwork, antiquity etc.) owned by natural/legal persons that are the subject of the investigation
- o) The Unit of Ship Operation Security and Register of the Department of Transport of the Government Office of the Capital City of Budapest for vessels (type, number, date and price of purchase etc.); to identify if there are any license-obliged swimming objects owned by natural/legal persons that are the subject of the investigation
- p) The Unit of Aerial-availability and Documentation of the Office of Aviation of the Ministry of National Development for aircrafts (type, number, date and price of purchase etc.); to identify

if there are any license-obliged flying objects owned by natural/legal persons that are the subject of the investigation

q) any additional service or data provider (Authority for Public Procurement etc.) which owns any relevant data regarding the state of affairs;

r) ARO and CARIN for requests for information stored in international databases.

Summarizing and analyzing the above mentioned data results in an analytical product giving a proper detail on the financial background and profile of the subjects in a form of a consultant opinion, which may be utilized during both the parallel financial investigation/asset recovery procedure and the criminal process conducted concerning the main proceedings. In some cases, the detailed report may even be able to substitute the official forensic analysis and in other cases, it could be the basis of a revisers report.

The same methodology can be applied in all asset recovery procedures – including the parallel financial investigation carried out simultaneously to criminal investigations.

Regarding the role and competences of the National Protective Service:

According to the Directive (EU) 2015/849 of the European Parliament and of the Council of the European Union of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, Hungary has to identify, examine and understand the risks of money laundering and the financing of terrorism. Based on a study elaborated by the National Institute of Criminology – which is the basis of the national risk analysis –, two working groups have elaborated and finalized the statements of the National Risk Assessment, in which – amongst others – risk caused by the existence of phantom firms and risks in connection with offshore companies. The National Protective Service (in Hungarian Nemzeti Védelmi Szolgálat) also takes part in the work of the working group.