



Dear K&H SZÉP Card Employer Partner,

Pursuant to the new Government Decree 76/2018 (IV.20.) on the rules of issuing and using Széchenyi Recreation Cards, several changes will take effect as compared to the current process of applying for SZÉP Cards, concluding SZÉP Card agreements and topping up vouchers. **These changes will affect you as well as your employees with K&H SZÉP Cards. We already sent you preliminary information on the changes in June and August.**

In this letter we intend to share some additional information with you and also tell you about K&H Bank's steps and timetable in implementing the changes in order to comply with the new statutory requirements.

We want to inform you about the following:

- I. the steps taken so far
- II. the process and scenario of implementing the switchover
- III. the changes to take effect for employers
- IV. the changes to take effect for current and future K&H SZÉP Card holder employees
- V. advice and tips for employers on the switchover
- VI. frequently asked questions (FAQ)

I. The steps taken so far:

As we have informed you before, as of 1 December 2018 K&H Bank will take over the issue and operation of K&H SZÉP Cards from K&H Service Center (KHCSK), therefore the Bank will have to contact K&H SZÉP Card holders with an offer to conclude a contract. **The Bank wanted to provide a preliminary re-contracting option for cardholders at K&H Bank branches as a client-friendly service; we notified K&H SZÉP Card holders of this possibility by e-mail and/or letter.** Preliminary re-contracting allows us to check data with clients and inform cardholders about the switchover. We will continue to provide the preliminary re-contracting option for all K&H SZÉP Card primary cardholder employees until 28 November 2018.

II. K&H Bank's process of implementing the switchover:

The timetable, key dates and consequences of the switchover are summarized below:

- **10 September – 28 November 2018:** → cardholders have the possibility to conclude a contract in person at K&H Bank branches (at any branch)
- **24 October 2018:** → the letters containing the (contract) offers to cardholders are sent by registered mail, return receipt requested (The new statute requires the Bank to send such letter with a contract offer. Cardholders who signed a contract with the Bank at any K&H Bank branch in advance by 10 October will not be sent a letter with a contract offer.)
- **30 October 2018:** → K&H SZÉP Card Employer Agreements are transferred from KHCSK to K&H Bank, and the letters describing the amendments to the contents of the agreement are sent to employers
- **26 November 2018:** → the possibility for employers to top-up vouchers and apply for cards is terminated → After this date we will no longer be able to accept applications submitted in the present system and form. Correct applications submitted by 26 November will be processed before the switchover. Incorrect applications will be rejected, and any related voucher amounts will be transferred by the Bank back to the employers.
- **30 November 2018, 17:00:** → system switchover starts: the SZÉP Card system is shut down, card use is suspended
- **1 December 2018, approx. 05:00:** → system switchover ends: the SZÉP Card system is reopened, cardholders and employers can start using the cards and the system again according to the new processes



- **1 December 2018:** → the new service allowing inquiries into employees' K&H SZÉP Card GIRO subaccount numbers becomes available to employers who have accepted the amendments to the contents of the K&H SZÉP Card Employer Agreement or have entered into a new agreement. The service will be available via the employer interface of the K&H SZÉP system; employer login data (username, password) will not change.

III. The changes to take effect for employers:

1.) changes to the card application process:

After the switchover employers will no longer be able to order K&H SZÉP Cards. As of 1 December 2018, new card applicants will have to sign the K&H SZÉP Card Framework Agreement (account agreement) at a K&H Bank branch, and it will include the card application procedures.

As an employer, you will be able to order cards for your employees by 26 November 2018. Employees for whom a K&H SZÉP Card is applied for after 10 October 2018 but before 26 November 2018 will also receive from the Bank a registered letter, return receipt requested, containing the offer to sign a contract for K&H SZÉP Card Services; these letters will be posted on 28 November 2018.

Applications for additional and replacement cards will only be accepted at K&H Bank branches. The Bank will extend expiring cards automatically under the terms set out in the GCTC. **The cards will always be sent out by post.**

2.) changes to the transfer of benefits:

After the switchover the current voucher top-up process will no longer be available. **New employer benefits can only be granted by GIRO transfer (standard transfer or direct credit).**

Services designed to help employers after the switchover:

New service: → inquiry into the GIRO subaccount numbers of employees' K&H SZÉP Accounts

This new service to be launched by K&H Bank is designed to support employers after the switchover. Using this service, employers can retrieve the K&H SZÉP Card GIRO subaccount numbers of the employees – either individually or collectively – and download them in an electronic format (XLS, CSV). To do so, they will only have to enter the taxpayer identification numbers of their employees into the system (also in XLS or CSV).

The authorization contained in the K&H SZÉP Card Framework Agreement concluded with employees will provide the legal basis for employers to run GIRO subaccount number inquiries.

We will soon release more detailed technical information about the new service; the information will also be available on our website at <https://www.kh.hu/web/szep-kartya/munkaltato> to facilitate the use of, and/or developments based on, the service.

Changes affecting the K&H SZÉP Card Employer Agreement:

On 30 October 2018 we will send you a notification letter about the transfer of the K&H SZÉP Card Employer Agreement, which will also include the amendment to the K&H SZÉP Card Employer Agreement. The changes in legislation require significant changes to the contents of the agreement. The revised Employer Agreement – under which the Bank will only provide the **K&H SZÉP Account GIRO subaccount inquiry interface** service for employers – will be posted to you. If you wish to use the service, you will not have to reply to the letter or do anything else. If the amendment to the agreement is accepted, you will automatically be able to run inquiries into the GIRO subaccounts of your employees' K&H SZÉP Accounts electronically.

Why 30 November – 1 December 2018 is the switchover date at K&H Bank:

Article 21(3) of the Government Decree sets the switchover date for the Bank. The new Government Decree came into force on 20 May 2018, which thus marked the start of the six-month interim period, the **last day of which is 30 November 2018. K&H Bank scheduled the switchover on this very last day in order to benefit employers and give them as much as time as possible to prepare for the changes.** We request your cooperation in the smooth implementation of the switchover.



What employers need to do in relation to the switchover:

The most important task is to switch from the current voucher top-up method to another one where employers can grant SZÉP Card benefits by new, GIRO transfers. This may require a development, which should practically start as soon as possible, because from 1 December 2018 employer benefits can only be transferred to the three GIRO subaccounts of employees' K&H SZÉP Accounts by GIRO transfer.

We would also like to inform you that a new section (q) will be added to Article 3(4) of Act CXVI of 2012 on the Financial Transaction Levy, whereby **“transfers to a restricted payment account linked to a Széchenyi Recreation Card” will also be exempt from Financial Transaction Levy**. This change will take effect on 1 December 2018. Employers can obtain more information about the application of this regulation from their bank account providers.

IV. The changes to take effect for current K&H SZÉP Card holder employees and your future employees:

The contractual relationships will be adjusted to meet the new legislative provisions; in a departure from previous rules and practice, K&H Bank will have to enter into contracts with the employee cardholders and open K&H SZÉP Accounts for employees.

K&H Bank will allow **current cardholders** to conclude a contract in person by 28 November 2018 at any K&H Bank branch, where employees can check and update their personal data and get answers to any questions they have about the changes.

If an employee does not want to take advantage of the possibility to conclude a contract in person, in order to comply with the Government Decree the Bank will make the cardholder an offer to enter into a K&H SZÉP Card Service Framework Agreement by 1 December 2018 in a registered letter, return receipt requested, which will be posted by 24 October 2018. The letter containing the contract offer will also include the three unique GIRO payment account numbers assigned to the individual subaccounts.

The cardholder will not have to do anything unless they do not want to maintain the K&H SZÉP Card Service, in which case they will have to make a written statement. In this case they will not be able to use the card balance, which the Bank will transfer back to the employer after the expiration date.

If the employee/cardholder does not reject the offer for the K&H SZÉP Card Service in writing, the K&H SZÉP Card Service Framework Agreement will be entered into automatically. As a result, the cardholder will continue to be able to use their K&H SZÉP Card after 1 December 2018; that is, they will be able to make payment transactions, have full access to their balance, and the additional card assigned to their card will also be available for use. Cardholders will continue to use their existing cards, which will not be replaced.

Another change is that SZÉP Card benefits that are not used by 31 May of the second calendar year following the grant year will not be transferred back to the employer – in contrast to previous practice – but will remain on the subaccounts of the cardholder employee's K&H SZÉP Account. However, pursuant to applicable legislation the Bank will charge a fee on such expired balance, which will equal 3% of the expired amount per month. This fee will be debited on the first day of the month when it is due.

Please help us by informing your employees about the above.



V. Advice and tips on the switchover:

In order to make the switchover easier for our employer partners, we would like to draw attention to the following:

- If you have any employees who do not have a K&H SZÉP Card yet but you wish to continue to grant K&H SZÉP Card employer benefits to your employees, you can still order cards in bulk using the current method by 26 November 2018. **Please do not leave your card orders to the last minute, as we can only accept correct card applications.**
- We suggest that the employer benefits due in 2018 should be granted in the existing voucher top-up system by 26 November 2018 so that you will have more time to adjust your accounting systems and handle the administration of your employees' GIRO subaccount numbers. Naturally, K&H Bank will accept SZÉP Card transfers to K&H SZÉP Account GIRO subaccounts from 1 December 2018.
- We suggest that your new hiring procedures should include applying for a K&H SZÉP Card (and, simultaneously, concluding a K&H SZÉP Card Service Framework Agreement) so that employer benefits can also be granted smoothly to your new employees by GIRO transfer (as of 1 December 2018 it will be possible to conclude contracts and apply for cards at any K&H Bank branch).

FAQ – Annex

The Frequently Asked Questions attached to this letter are intended to help inform you and your employees about the changes. The annex is public – please distribute it to your employees. Thank you for your cooperation.

Should you have any further questions, please do not hesitate to contact us via the K&H TeleCenter (+36 1/20/30/70 335 3355 (select menu item 7 for SZÉP Cards)), through the Corporate Customer Service at +36 1 468 7777, by e-mail at szepkartya@kh.hu or in person at our branches.

Budapest, 8 October 2018

Best regards,

K&H Bank Zrt.
on behalf of K&H Service Center