HUNGARIAN COMPETITION AUTHORITY

A reduction in competition law-related bureaucracy will support the Hungarian economy

4 October 2021, Budapest – The Hungarian Competition Authority (GVH) issues an official certificate within 4 days on average in the case of mergers, which are easy to assess and which do not raise competition concerns. Venture capital funds under majority State ownership can also implement their capital investments using state aid which was found to be compatible with the rules of the internal market by the European Commission with less administration and thus in a shorter time.

The National Assembly has adopted the amendment of the Competition Act under which parties will no longer be required to notify mergers to the Hungarian Competition Authority in the case of the investments of capital funds under majority State ownership.

'The aim of such state-funded capital investment is exactly to promote the market entry of a product or service primarily in the case of start-up undertakings with their products or services still in the development phase or having marginal market presence. This already makes competition concerns unlikely. In spite of the fact that the GVH adopts a decision in case of mergers which are easy to assess and do not raise any competition concerns within 4 days on average, the legal and labour costs and time expenditure of preparing a merger notification to be submitted to the GVH often constituted a disproportionate burden on the investors compared to the value of the investment. This decision aiming to reduce bureaucracy will definitely be beneficial for the Hungarian economy.' as Csaba Balázs RIGÓ, President of the GVH, pointed out.

The total value of the investments implemented since 2018 and falling within the scope of the proposal exceeds HUF 10.5 billion, which has allowed majority State-owned capital funds to assist in the launch of 22 start-up undertakings in total so far. The GVH has acknowledged the 22 mergers investigated so far and did not identify competition concerns in any of them. The average mean value of the investments was only HUF 300 million, which was generally paid out to the undertakings in multiple phases, ensuring the availability of the financial background required for the development and launch of their product or service over a longer period of time.

As a result of the law amendment, the GVH will have the possibility to initiate a competition supervision proceeding within 6 months from the closing of the transaction if it identifies the threat of a significant reduction in competition.

In the Hungarian economy, the number of merger notifications received by the GVH has been showing a clearly increasing trend over the course of the past 10 years. Compared to 2010 data, the number of notifications has increased by 42%, which means that the Authority investigates more and more mergers each year.

By switching to a notification-based system, introducing electronic administration and reducing the administrative burden, the GVH has by now become one of the fastest-working competition authorities in Europe with respect to the assessment of mergers that do not raise any competition concerns. 'The average processing time of cases closed by the issuance of an official certificate has been reduced to 4 days on average, while the average processing time of the more complex phase 1 mergers has been decreased by 82.5% to 17 days, and the average processing time of the most complicated phase 2 mergers has been reduced by 62% to 71 days.' reads the thematic publication entitled 'Mergers as potential tools for economic growth'.

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