

Transfer of credit institutions' contract and receivables portfolio

	Q&A subjects
Prior to submission	<p>The transfer of which portfolios is covered by Section 17/A of the Credit Institutions Act? <i>Section 17/A of the Credit Institutions Act is applicable to the transfer of credit and loan portfolios, financial lease and factoring portfolios as long as it involves a contract portfolio comprising at least twenty contracts, or outstanding principal or leasing fee receivables of at least ten billion forints.</i></p> <p>Is it possible to apply for the transfer of the contract portfolio and the receivables portfolio in a single procedure? <i>Yes, this is possible. However, in this case the conditions stipulated in Section 17/A (1) of the Credit Institutions Act (at least twenty contracts or outstanding principal or leasing fee receivable of at least ten billion forints) must be satisfied separately by the individual portfolios. The conditions must be satisfied throughout the procedure.</i></p> <p>Is the procedure subject to a fee? <i>No administrative service fee is payable for the procedure.</i></p> <p>Is it possible to stipulate a deadline (period) for the transfer of the portfolios in the portfolio transfer contract? <i>No. The contract must specify the exact date (day, month, year) of the portfolio transfer.</i></p> <p>Is it possible to modify the date of the portfolio transfer after receiving the authorisation for the portfolio transfer? <i>If the parties modify the date of the portfolio transfer jointly, they should submit to the MNB a new application for the authorisation and attach to it the modified contract, and confirm the existence of all conditions in respect of which a change has occurred after the issuance of the authorisation. All conditions stipulated in Section 17/A of the Credit Institutions Act must also exist in respect of the modified date.</i></p>
Application and annexes	
Application	<p>What form should I use for the submission of the application? <i>The application should be submitted on form HITE_1021_v1 entitled "Application for the authorisation of the transfer of credit institutions' contract portfolio, comprising at least twenty contracts aimed at the rendering of financial services specified in Section 3 (1) b), c) and l) of the Credit Institutions Act, or outstanding principal or leasing free receivable, or receivables portfolio worth at least ten billion forints", available within the ERA system under the E-administration/Licensing service.</i></p> <p>May the transferor and the recipient institutions submit a joint application? <i>Yes, the application may be submitted jointly.</i></p>

	<p>May the transferor and the recipient institutions submit the application for the transfer in the ERA system with regard to each other, but separately? Is it acceptable for the MNB that certain documents related to the application for the authorisation are submitted by the transferor institution, while others by the recipient institution? <i>Yes, the institutions may submit the application for the transfer with regard to each other, but separately. It is also permitted that certain documents are submitted only by the transferor (e.g. list of the contracts to be transferred, while others only by the recipient (e.g. business plan).</i></p>
<p>Specification of the contracts to be transferred and the collaterals securing them</p>	<p>In what form should we submit the contracts and collateral agreements? <i>The applicant may submit the information related to the contracts to be transferred and the collaterals connected to them in tabular format; however, it must be ensured that the individual contracts and the related collaterals can be uniquely identified.</i></p> <p>May the composition of the contract portfolio to be transferred change during the authorisation procedure? <i>Yes, the number of contracts to be transferred may decrease (e.g. because meanwhile they expired). However, the contract portfolio to be transferred must comply with the requirements set forth in Section 17/A (1) of the Credit Institutions Act even after the decrease (at least twenty contracts or outstanding principal or leasing fee receivable of at least ten billion forints).</i></p> <p>What special rules do apply to transfers based on Section 17/A of the Credit Institutions Act? <i>The provisions of the Civil Code related to the transfer of contracts shall be applied with the exception that upon the transfer of portfolios the collaterals securing the contract shall not lapse and the legal declaration of the party remaining in the contract is not necessary for the transfer. It is an additional difference compared to the Civil Code that in the case of portfolio transfers performed under Section 17/A of the Credit Institutions Act, all collaterals (including, e.g. the collection orders related to the account) shall also devolve upon the recipient.</i></p>
<p>Business plan</p>	<p>What should the business plan contain? <i>When preparing the business plan consideration should be given to the provisions of the MNB's relevant Guidelines.</i></p>
<p>Draft notification to be sent to clients</p>	<p>What should the notification to be sent to clients contain? <i>In accordance with Section 17/A (5) of the Credit Institutions Act, in the draft notification clients shall be reminded that until the date authorised by the MNB for the transfer they are entitled to cancel the contract in writing free of charge, in the absence of which it shall be considered that they acknowledged the fact of the transfer and the amendment of the contractual conditions in connection with this.</i></p>

	<p><i>Simultaneously with the notification, the transferor financial institution shall inform the client of the amendment of certain conditions of the contract that will be necessary in connection with the transfer after the authorised date of the transfer.</i></p> <p>What is the legal consequence of cancelling the contract?</p> <p><i>Upon cancelling the contract, the outstanding obligations of the client shall become due in lump sum, to be paid until the last day of the notice period specified in the contract, at the latest.</i></p> <p>How long before the transfer of the portfolio should the notification be sent to the clients?</p> <p><i>Section 17/A (4) of the Credit Institutions Act prescribes that the financial institution transferring the contract portfolio must notify by post all clients concerned of its intention to transfer the contract portfolio at least thirty days before the date of the transfer authorised by the MNB.</i></p>
	<p>In which cases may the MNB deny the authorisation of the transfer?</p> <p><i>If the recipient is unable to prove that it is able to satisfy all conditions in respect of the contract portfolio to be taken over that ensure that the transfer does not jeopardise the fulfilment of the obligations undertaken by the transferor financial institution in the contracts to be transferred.</i></p> <p><i>The MNB shall deny the authorisation of the transfer, if the recipient is unable to prove that it is able to satisfy all conditions in respect of the contract portfolio to be taken over that ensure that the transfer does not jeopardise the fulfilment of the obligations undertaken by the transferor financial institution in the contracts to be transferred.</i></p> <p>How the covenants securing the contract portfolio will be treated in legal terms?</p> <p><i>Pursuant to Section 17/A (6) of the Credit Institutions Act, simultaneously with the transfer of the contract portfolio – from the date authorised by the MNB for the transfer – the rights and obligations stemming from the agreements securing the contracts, particularly the rights and obligations stemming from lien, surety, security deposit contracts and option, assignment and guarantee contracts used as collateral, shall devolve upon the recipient.</i></p> <p>Who should bear the costs and fees incurred in connection with the transfer of contracts?</p> <p><i>Section 17/A (10) of the Credit Institutions Act states that the costs and fees incurred in connection with the transfer of contracts shall not be charged to the clients.</i></p> <p>Is it possible to transfer receivables from already cancelled or expired contracts?</p> <p><i>Yes. However, it should be noted that if the transferor and the recipient agree on this, and would also like to link to this the possibility of the automatic devolution of collaterals, the transaction shall be subject to the MNB’s authorisation and all rules prescribed by the</i></p>

	<p><i>Credit Institutions Act for the transfer of the contract portfolio shall be applicable. Accordingly, among other things, a limit applies to the receivables portfolio that may be transferred and only receivables from the specified financial services may be transferred.</i></p> <p>Upon the transfer of a receivable portfolio, is it necessary to obtain the MNB's authorisation even if the parties do not wish to exercise their right related to the devolution of collaterals?</p> <p><i>No. If the parties do not wish to exercise their right related to the devolution of collaterals, according to the provisions of Section 17/A (11), the receivables portfolio may be assigned without the MNB's authorisation.</i></p>
	<p>Does the MNB's authorisation substitute the authorisation of the Hungarian Competition Authority?</p> <p><i>No. The MNB's authorisation shall not substitute the authorisation of the Hungarian Competition Authority under Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices.</i></p>