Country Crowdfunding Factsheet

Hungary
Date: June 2018
European Crowdfunding Network

The European Crowdfunding Network AISBL (ECN) is the professional network promoting adequate transparency, (self) regulation and governance while offering a combined voice in policy discussion and public opinion building, incorporated as an international not-for-profit organization in Brussels, Czech Republic.

We support our members in carrying initiatives aimed at innovating, representing, promoting and protecting the European crowdfunding industry. We aim to increase the understanding of the key roles that crowdfunding can play in supporting entrepreneurship of all types and its role in funding the creation and protection jobs, the enrichment of European society, culture and economy, and the protection of our environment.

In that capacity we help developing professional standards, providing industry research, as well as, professional networking opportunities in order to facilitate interaction between our members and key industry participants. On behalf of our members, the ECN will maintain a dialogue with public institutions and stakeholders as well as the media at European, international and national levels.
This document has been extracted from Annex II of the study "Identifying market and regulatory obstacles to crossborder development of crowdfunding in the EU", published in November 2017 and funded by the European Commission (DG FISMA).

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Hungary

Overview
The enhancement of Crowdfunding in Hungary seems to be hindered by several aspects, such as general mistrust, low population and limited savings.

A. Role of alternative finance

Market size
Hungarian society is still trying to familiarise itself with the new funding method. The per capita volume of alternative finance compared to the GDP per capita is lower than average. There are few active platforms, and they mainly use the donation or rewards model. None of them are focused on R&I projects, and they only collect and handle a limited amount of funds.

As in many other European countries, Crowdfunding has started to spread in Hungary. However, it is somewhat delayed in comparison to international and other European countries. General mistrust, relatively low population and limited savings seem to hinder the enhancement of Crowdfunding activity. Though there are no Crowdfunding Platforms dedicated to sustainability only, there are examples of successful sustainability projects.¹

Trend
There were no open Hungarian platforms until 2012. However, in central and eastern Europe, there has been a growing trend over the last few years.

Total Crowdfunding Platforms
The first Hungarian Crowdfunding Platforms — e.g., Creative Selector, Induljbe.hu, kezdheted.hu — started in 2012 (HVG, 2014). The platforms were established by the Nonprofit Információs és Oktató Központ Alapítvány (Non-profit Information and Training Center (NIOK) Foundation). NIOK has been operating since 1994 and it

¹ “Crowdfunding in Sustainable Innovation - Insights From and For Hungary”. [link]
targets the creation of a strong civil society in Hungary that is able to effectively represent social interest. In order to achieve this, it targets the strengthening of non-profit organisations through programmes and services that enhance the professionalism and effectiveness of those organisations, and strengthens their relationship with the public administration, the business community and society as a whole.  

The platform specifically targets the Crowdfunding activity of civil organisations and communities. It is adjusted to their needs and opportunities and also provides professional support to their fundraising and communication.  

**Crowdfunding models**

<table>
<thead>
<tr>
<th>Equity-based Crowdfunding</th>
<th>The model does not have any presence in the Hungarian market yet.</th>
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</thead>
<tbody>
<tr>
<td>Lending-based Crowdfunding</td>
<td>The model does not have any presence in the Hungarian market yet.</td>
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</table>

**B. Regulatory context**

<table>
<thead>
<tr>
<th>Country</th>
<th>Summary</th>
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<tbody>
<tr>
<td>Hungary</td>
<td>There have been no recent developments in Hungarian Crowdfunding regulation, except the non-binding guidelines of the Hungarian National Bank in relation to Crowdfunding.</td>
</tr>
</tbody>
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2 Non-profit Information and Training Center (NIOK) Foundation (link)

3 “Crowdfunding in Sustainable Innovation - Insights From and For Hungary”. (link) and (link)
## Current/planned Crowdfunding regulation

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
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</table>
| **General regulation** | • If the Crowdfunding Platform facilitates the offering of securities, the operator of the platform may be subject to investment services requirements → licence from the Hungarian supervisory authority required  
  • If the Crowdfunding Platform facilitates and/or intermediates the granting of loans to the crowdfunded business, such activity may trigger financial services requirements in relation to the platform operator, crowdfunded business and/or individuals granting loans → licence from the Hungarian supervisory authority required  
  • Crowdfunding under both the Equity Model and the Lending Model could be structured so as to eliminate/limit the risk of triggering licensing requirements  
  • The Donation or Rewards Model does not raise any specific Hungarian regulatory issues |
| **Prospectus requirements** | • Prospectus requirement for the offering of securities and certain other financial instruments (e.g., shares, bonds, certain derivatives)  
  • Threshold: EUR 100,000 aggregated issue value for securities offered in all Member States of the European Union within a period of 12 months |
| **AIFMD regulation**    | If a Crowdfunding undertaking wants to structure its operation as an alternative investment fund (or manager thereof) it must comply with the requirements under the Collective Investment Schemes Act |
| **Payment service regulation** | • Transfer of funds through the platform operator may constitute money remittance service → licence from the Hungarian supervisory authority required  
  • Collection and holding of funds as escrow by the platform operator may constitute financial service → licence from the Hungarian supervisory authority required |
| **Consumer credit regulation** | Depending on the structure used by the platform, consumer credit regulations may be applicable |
| **Further possible requirements** | • Laws applicable to online marketing and contracts  
  • Laws applicable to e-commerce and information society |
• Anti-money laundering laws
• Data privacy and data protection laws
• Consumer credit regulations
• Consumer protection regulations

Regulatory barriers

<table>
<thead>
<tr>
<th>Inbound</th>
<th>EU entities having a licence to provide the relevant investment services and/or financial services in Hungary may passport their licence to Hungary.</th>
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</thead>
<tbody>
<tr>
<td>Outbound</td>
<td>Hungarian entities having a licence to provide the relevant investment services and/or financial services in Hungary may passport their licence to the host EU country.</td>
</tr>
</tbody>
</table>

Impact of EU regulation

| Prospectus regulations | Applicable if licencing requirements are triggered. Passporting the existing relevant EEA license is possible |
| AIFM Directive | Applicable if licencing requirements are triggered. Passporting the existing relevant EEA license is possible |
| MiFID/MiFID II | Applicable if licencing requirements are triggered. Passporting the existing relevant EEA license is possible |
| PSD/PSD II | Applicable if licencing requirements are triggered. Passporting the existing relevant EEA license is possible. |

C. Disclosures & safeguards

No professional industry association exists. To foster the professional and transparent development of the local market, it might be advisable for a national Crowdfunding association to establish a Code of Conduct with which platforms should be obliged to comply. Examples exist in a number of countries, such as the UK, France, Germany or the Netherlands. Alternatively, the open adoption of the European Crowdfunding Network Code of Conduct and its Charter of Crowdfunders’ Rights by market players could help in markets without a critical mass of platforms.

Platforms themselves, to the extent that they can serve as marketplaces, have the potential to aid regulatory developments through early self-regulation and transparency. But this will require credible and enforceable quality and transparency standards as well as level playing fields. Any such initiative should aim to cover key performance indicators for the industry, conflict of interest rules and platforms remuneration. However,
regulation will always play the main role in establishing and ensuring a functioning market with an adequate level of safeguards and disclosures.

**D. Support policies**

**Overview**

Most Hungarian Crowdfunding Platforms are devoted to social, public or charity projects, in order to benefit from tax deductions, the same scheme that applies to charitable organisations applied to the Crowdfunding Platforms. Donations to charitable organisations are not deductible from personal income taxes in Hungary. Each individual does have the right to offer 1% of their personal income tax to a charitable organisation when they do their taxes.

**Market Supervision**

Ministry for National Economy (through its operative branch for Crowdfunding, the National Innovation Office).\(^4\)

**Crowdfunding models**

| Tax benefits       | Companies can deduct 20% of their donations from the tax base (another 20% in the case of a long-term contract) or they can deduct 50% if the donations go to the National Cultural Fund.
|                   | One Percent Law, 1996 and following updates. |

\(^4\) Ministry for National Economy ([link](#))
E. Additional insights

Policy measures

Some of the potential barriers (e.g., population size and level of private savings) are not easy to overcome. However, there are some measures that can enhance Hungarians’ Crowdfunding activity. In addition to information and training, a clear regulatory environment can be beneficial, as demonstrated by the US government, for example. Though there are no governmental white papers or similar documents available, there is a paper written by two members of the Hungarian National Bank (although the paper does not necessarily reflect the official standpoint of the Hungarian National Bank) that deals with Crowdfunding issues. Bethlendi and Végh (2014) argue that development of the Hungarian Crowdfunding market could be best served by investor trust that can be enhanced by a well-functioning business structure, transparency and regulations protecting investors.\(^5\)

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