

Hungary narrows exemptions under its alternative FDI screening regime

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The current Hungarian rules on the screening of foreign direct investments (FDI), which are already unprecedently restrictive, will be further tightened from mid-January next year by narrowing the available exemptions from the filing obligation.

Last week, the Hungarian Government passed a decree amending certain provisions of the so-called "alternative" FDI screening regime.

The amended rules will narrow the scope of transactions that are not subject to prior filing requirement for an FDI clearance. Under the current rules, no prior Ministerial approval is required for offshore (i.e., foreign-to-foreign) transactions and intra-group restructurings taking place at the foreign holding level, provided that those changes of control do not result in a transfer of direct ownership over the Hungarian registered strategic target company.

According to the newly adopted rules, these two exemptions are getting combined and from next year foreign-to-foreign transactions will remain exempted from the prior FDI screening filing requirement only in respect of subordinated Hungarian registered affiliates and provided that they do not concern any change in the direct ownership structure of the Hungarian strategic target company.

The Government Decree provides that the alternative FDI regime do not apply if a transaction implemented in respect of a foreign registered legal entity indirectly results in the change of ownership over a Hungarian registered subordinated affiliate of such foreign entity.

Another, renewable energy sector-specific novelty of the amendments to the alternative FDI regime in Hungary is that it will grant a statutory right of first refusal to the Hungarian State in respect of solar power plant projects/developments meeting certain criteria. In this respect, the Energy Industry Group of our Budapest office has prepared a distinct client alert, which you can find [here](#).

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