

After 10 years of preparatory work by several legal experts and a six-month parliamentary debate, on March 15, 2014 a New Civil Code will come into force in Hungary. The New Civil Code integrates the judicial practice of the last decade and introduces several new provisions and significant changes.

When the New Civil Code enters into force, corporate rules will no longer be regulated in a separate act, but will be mainly incorporated into the New Civil Code.

There are some substantial changes that may impact you or your business:

- Executive officers causing damage to a third party in connection with their position shall be liable for the damages jointly and severally with the company.
- The limitation of executive officers' representation rights against third parties shall be effective if the third party was or should have been aware of such limitation.
- The prescribed minimal amount of registered capital requirement of limited liability companies is increased from HUF 500,000 to HUF 3,000,000.
- Extra-contractual liability is limited to foreseeable damages.
- Liability for gross negligence may be excluded or limited.
- Damages payable for breach of contract shall extend to damage to the subject matter of the contract, actual damage and lost profits to the extent they were foreseeable at the time the contract was entered into.
- A party in breach of a contract may relieve his/her liability only if they prove that the breach of the contract was caused by a circumstance outside of his/her control and was not foreseeable at the time of the conclusion of the contract.
- When quantifying the damages, changes in market values shall be taken into consideration.
- The rule of the employer's liability for damages caused by the employee to third parties in connection with their employment is extended to the quotaholders of a legal person.
- The creation of a security assignment or option right as a credit security will no longer be possible.

- The institution of the security trustee will be introduced.
- It will be possible to grant a general power of attorney for a maximum of five years; general powers of attorney which are granted for a longer period or for an indefinite term, shall cease to be effective after five years.
- A resolution passed at a quotaholder's meeting which was not convened or held in accordance with the relevant regulations may be declared valid afterwards upon a unanimous declaration of the quotaholders.
- Restraint on alienation and encumbrance can also be stipulated outside the title transfer, any act violating such restraint is no longer null and void, but the consent of the authorized person shall be required, and any provisions contrary to the restraint shall not be valid vis-à-vis those whose right is ensured with such restraint.
- Preclusive (objective) deadlines of statutory warranty are canceled and limitative (subjective) deadlines for claims are amended: the deadline of a statutory warranty is generally one year, two years in consumer contracts and five years in the case of real property.
- Introduces manufacturer's warranty breaking the relative structure of contracts, which allows consumers to directly claim certain warranty rights against manufacturers or distributors.

For further information, please contact either your usual Squire Sanders lawyer or the managing partner of our office:

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