

Collision of Foreign Retention of Title with Hungarian Asset Pledge: Critical Legal Insights for Export-Import Companies

Budapest, 8 August 2024 – Wolf Theiss highlights the complexities faced by export-import companies when dealing with foreign retention of title and Hungarian asset pledge, emphasizing the potential risks and necessary precautions for businesses engaging in cross-border trade, particularly between Germany and Hungary.

Retention of title is a common practice in Europe, where sellers retain ownership of their assets until full payment is received. However, in Hungary, this practice requires registration and failure to do so can result in unintended encumbrances on the assets. This legal nuance is crucial for companies to understand to avoid complications in international transactions.

Key Insights

Foreign sellers often rely on retention of title to secure their assets, but Hungarian law mandates that these agreements must be registered to be enforceable against third parties. Without this registration, an asset can unintentionally become encumbered with a pledge, creating significant legal and financial risks.

"The retention of title offers substantial protection to sellers by allowing them to retain ownership until full payment is made. However, in Hungary, the lack of registration can lead to unforeseen complications, especially if the buyer has granted a pledge to a Hungarian bank over future movable assets.", explains Gergely Szalóki, Senior Associate at Wolf Theiss.

Practical Solutions

To mitigate these risks, it is advisable for sellers to ensure that retention of title agreements are registered in the Hungarian Collateral Register. Additionally, detailed definitions of pledged assets in agreements with Hungarian banks can help exclude assets subject to unregistered retention of title.

Gergely Szalóki emphasizes, "Awareness and proactive measures are essential. Large corporations may navigate these complexities with

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ease, but SMEs might find it challenging due to standard financing contracts and general terms and conditions prevalent in their sector."

For a detailed analysis and further guidance, please visit the full article on our website: [Collision of Foreign Retention of Title with Hungarian Asset Pledge](#) or contact:

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About Wolf Theiss

Founded in 1957, Wolf Theiss is one of the leading law firms in Central, Eastern and South-Eastern Europe (CEE/SEE). We have built our reputation on unrivalled local knowledge which is supported by strong international capabilities. With 390 lawyers in 13 countries, over 80% of the firm's work involves cross-border representation of international clients.

Albania, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine, Wolf Theiss represents local and international industrial, trade and service companies, as well as banks and insurance companies. Combining law and business, Wolf Theiss develops comprehensive and constructive solutions on the basis of legal, fiscal and business know-how.

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