

Differences between a Kft and an Rt

Pursuant to the Companies Act, the following are the basic differences between a Kft and an Rt:

▶ Management

Kft: one or more managing directors manage the company

Rt: a board of directors composed of three to eleven members or, if the constitutive document so provides, the general director, manages the company

▶ Recruitment of members through public offerings

Kft: forbidden

Rt: other than a private Rt, the company may publicly advertise the sale of its shares

▶ Required minimum initial capital

Kft: HUF 500,000 (EUR 2,000)

Private Rt: HUF 5 million (EUR 20,000); both Kfts and private Rts may be established without cash contributions

Public Rt: HUF 20 million (EUR 80,000); the company may not be established without cash contributions

▶ Supervisory board

General: The board must have three to fifteen members. If the annual average number of the company's full-time employees exceeds 200, then employees must make up one-third of the supervisory board. All companies must have a supervisory board if

(i) the law so requests in order to protect public property or with respect to the activities pursued by the company, or (ii) the annual average number of full-time employees exceeds 200.

Kft: not required (apart from the above mandatory cases)

Private Rt: only if shareholders representing at least 5% of the voting rights so request (as well as the above mandatory cases)

Public Rt: mandatory except for public Rts operating under the so-called unified company management system

▶ Auditor

General: not mandatory, except if (i) the Accounting Act so requires, (ii) the company's articles of association so prescribe, or (iii) the law so prescribes in order to protect public property

▶ Quotas/shares

Kft: each quotaholder may have only one quota. If a quotaholder acquires another quota, its quota will be increased by the one it acquired, and as a result, the quotaholder will still only have one quota but with a higher value. Quotas may be freely transferred between members of the company. The members may give pre-emption rights to each other in the company's articles of association. By law, with respect to a quota intended to be transferred through a sale and purchase contract, the other member(s), the company, or a third person so designated by the quotaholders'

meeting, in this order, have pre-emption rights, unless this is excluded (or restricted) under the articles of association. The articles of association may forbid, restrict or prescribe the need for the company's consent for the transfer of quotas to third persons.

Rt: only registered shares may be issued. Unless otherwise provided by law, shares are freely transferable. However, a private Rt's constitutive document may restrict the transfer of shares or may render it subject to the company's consent. The transfer of registered shares is valid with respect to an Rt and shareholders may exercise their shareholders' rights with respect to the company only if such shareholders have been registered in the book of shareholders. Unlike the quotas of a Kft or the shares of a private Rt, a public Rt's shares may be traded on the stock exchange.

▶ Securities

Kft: printed securities representing the quotas may not be issued

Rt: securities representing the shares may be issued (private Rts: printed share certificates or dematerialized shares, public Rts: only dematerialized shares)