



SUMMARY OF THE ACTIVITIES

**OF THE HUNGARIAN
COMPETITION AUTHORITY
IN 2020**



**HUNGARIAN
COMPETITION
AUTHORITY**





Budapest cityscape after a summer shower (Author: Dr. Botond Horváth – GVH)

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PRESIDENTIAL WELCOME

Dear Reader!

Exactly one year has passed since I was appointed to lead the Hungarian Competition Authority (GVH) by the President of the Republic. Since then, the GVH has improved its national character, its willingness to cooperate, and its communication practices; furthermore, it has been integrated into the economic policy processes that shape the national economy. In this period, we endeavoured to contribute to the protection of fair competition, whilst keeping the interests of Hungarian consumers in mind. Even during the pandemic situation, we had plenty to do in terms of investigating abuses of dominant position, eliminating cartels, and uncovering misleading commercial practices.

Unfortunately, the pandemic continues to have an effect on market processes to this day; therefore, the GVH has also been playing an important role in contributing to the work of several committees. This includes the work of the Economy Protection Operational Group, during the sessions of which I have regularly had the opportunity to represent the Authority and assist in the reduction of the administrative burden on market players based on competition policy considerations. One of the most important decisions I made over the past year was to establish the Workshop for Economic Development and Competition Advocacy within the GVH, which has been helping me in my work by providing professional advice.

The era change that occurred at the GVH in 2020 was also reflected in the attitude that the Authority adopts to infringements of the law. Several of our decisions prove that if the fact of an infringement is established, it is worth cooperating with the GVH. This is because our cooperation options allow undertakings to reduce the amount of fines that may be imposed due to their behaviour, continue their activities with a clean slate, and make commitments to fair competition for the future. One of the signs of an undertaking's willingness to cooperate is if they partially or fully remedy the negative effects of their infringement and compensate the concerned consumers for the damages they suffered. In addition to the total amount of competition supervision fines imposed in 2020, HUF 8.4 billion (EUR 24.2 million), the combined value of all compensation efforts exceeded HUF 2.1 billion (EUR 6 million). Of course, all of this does not mean that the GVH is going to be more lenient towards undertakings that commit infringements, as evidenced by the fact that the total fine amount imposed in 2020 was the highest amount that had been imposed within a single calendar year since 2013. In addition, the amendments of the Competition Act, effective from 1 January 2021, are going to further expand the administrative powers of the GVH, as well as the effectiveness and strictness of the sanctions imposed for infringements. Other benefits of our cooperation options are that they allow cases to be closed more effectively, consumers are able to receive compensation sooner, the number of prolonged court disputes is reduced, there is a higher chance of jobs being saved, and last but not least, the fixed payments into the central budget are increased.

The era change implemented within the GVH also affected the management, structure, procedural rules and integrity of the organisation. As for our human resources, we aim to increase the ratio of young graduate civil servants as well as to retain our older and more experienced colleagues. Finally, the most important development that I can report on today is our family-friendly measures aimed at promoting a healthy balance between the professional and private lives of our colleagues, which is especially important given that our colleagues are currently raising approximately 100 children in 58 families.

Budapest, 6 April 2021



Csaba Balázs RIGÓ
President



I. TASKS OF THE GVH

The role of the Hungarian Competition Authority (*GVH, national competition authority or Authority*) related to the freedom of competition in the operation of the market economy is to **enforce competition law legislation falling within its scope of authority in a manner that promotes the interests of the public, increases long-term consumer welfare and competitiveness**, as well as to generally support competition using the tools at its disposal or – wherever competition is not possible or does not provide the best possible result – to facilitate the development of national regulations that aim to create or replace competition.

As a **law enforcement** organisation, the GVH performs competition supervision activities and is responsible for ensuring fair and free competition within the legal framework, and the custodian of effective competition that results in consumer surplus goods. In the course of its law enforcement activity, in addition to and in compliance with Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices (hereinafter referred to as the Hungarian Competition Act), it also applies EU law whenever trade between Member States is affected in any given case. The tasks related to law enforcement require the greatest amount of resources; this is the activity that makes up the majority of the work performed at the Authority.

The GVH takes measures against unfair and restrictive market practices, meaning any agreements, decisions or concerted practices between undertakings that aim to prevent, restrict, or distort competition or that have such an effect. Among **restrictive agreements**, the so-called 'hardcore' cartels stand out due to the severity of their effects. These are typically agreements between competitors that aim to fix purchase or sale prices, share markets between players, specify production or sales quotas, or that allow competitors to collude during competitive bidding procedures.

Furthermore, the GVH takes steps against undertakings that abuse their **dominant market position**. The provisions of the Hungarian Trade Act¹ prohibit **abusive behaviour** by large-scale retailers (**retailers with significant market power and clientele**) against suppliers, and some of the supervisory tasks related to such abuses are performed by the GVH.

The activity of the GVH performed in the interest of protecting competition is primarily based on three pillars.

(i) As part of its competition supervision activity, it enforces the Hungarian Competition Act and other legislation falling within its scope of authority, as well as the EU competition law. In addition to its law enforcement and competition supervision tasks, (ii) competition advocacy and (iii) supporting competition culture – as well as conscious consumer decision-making – are also important parts of its job.

COMPETITION SUPERVISION

- The Hungarian Competition Act
- EU competition law

COMPETITION ADVOCACY

- Proactive
- Reactive

DEVELOPMENT OF COMPETITION CULTURE

- Expansion of knowledge related to competition law
- Development of the culture of consumer decision-making

Certain transactions fall under reporting and licensing obligations if the applicable revenue threshold values are reached. Within the framework of its activity related to the monitoring of mergers, also called **merger control**, the GVH authorises the mergers and acquisitions of undertakings.

Within its **scope of competence related to consumer protection**, the GVH takes measures against unfair commercial practices that may have a significant impact on competition. In order to determine whether a practice may have a significant impact on competition, the scope of the applied commercial practice and the size of the undertaking in question are assessed; or, if certain conditions are met, is also presumed by the law.² However, it is important to note that general consumer protection tasks are not performed by the GVH.³

The second pillar of the tasks of the GVH consists of the so-called **competition advocacy activities**. Within the framework of these activities, the GVH publishes its opinions on regulatory concepts and draft legislation that include provisions concerning its scope of tasks and competence, competition, the conditions for market entry, prices or the relevant evaluation criteria, with the exception of municipal decrees. As part of its competition advocacy activities, the GVH attempts to use the tools at its disposal to influence the legislative process and public administrative decisions in a way that allows the enforcement of important public interest principles in the form of market competition. Public administrative decisions include the development and enforcement of public policies, governmental economic policy, as well as the individual administrative measures and interventions of other state agencies.

The Hungarian Competition Act also specifies the role and responsibility of the GVH related to the development and promotion of a **culture of competition and conscious consumer decision-making**, which constitutes the third pillar of the activities performed by the GVH in order to protect economic competition. During the development of Hungarian competition and consumer culture, the primary tasks of the GVH are to promote the social acceptance of competition and compliance with the law, the development of a regulatory environment that favours competition and ensures conscious consumer decision-making and the improvement of consumer awareness. As part of these activities, the GVH takes measures to (i) increase awareness related to competition policy, consumer decision-making and its protection, and (ii) contribute to the work of the professional community responsible for the economic and legal issues related to competition and consumer decision-making.

The antitrust and consumer protection activities of the GVH complement each other and jointly serve the interests of consumers.

Competition increases consumer surplus and enables consumers to purchase a wider range of goods. However, consumers are unable to enjoy the benefits offered by competition if due to a lack of appropriate information and consumer awareness, they do not choose the most favourable option available to them from the alternatives provided by this competition. As a result, protecting the freedom of competition and the freedom of consumer choice are mutual prerequisites of one another.

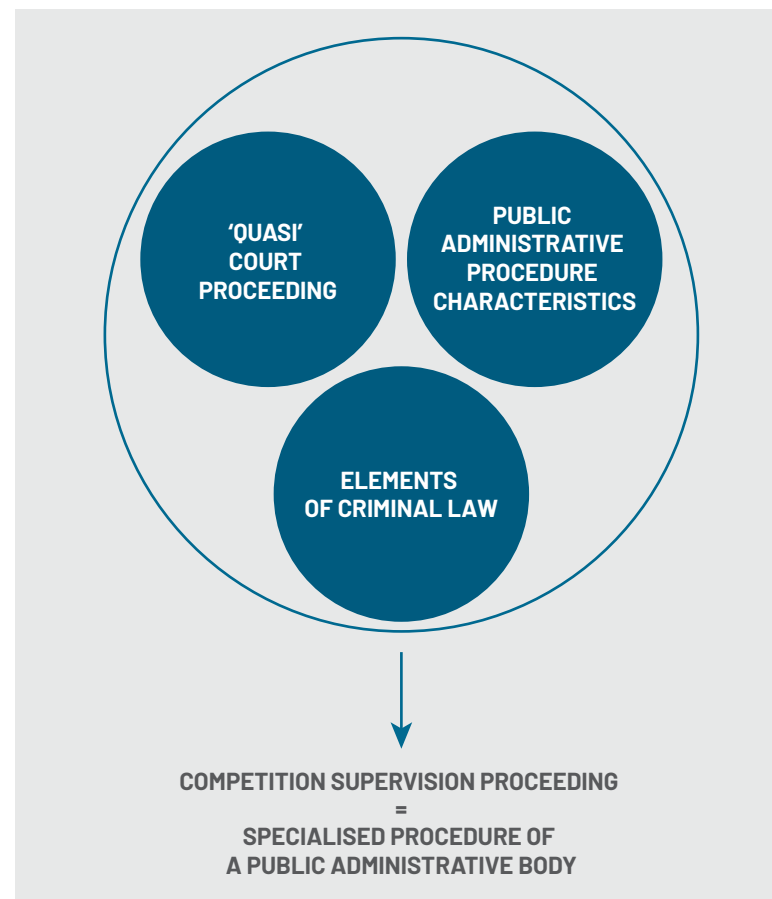
¹ Act CLXIV of 2005 on Trade (Hungarian Trade Act).

² Article 11 (2) Act XLVII of 2008 on the Prohibition of Unfair Commercial Practices against Consumers.

³ In order to have a consumer protection issue resolved, consumers can turn to the following institutions for help: (i) the Consumer Protection Authority has competence over infringements of the consumer protection legislation, (ii) the Arbitration Board can help resolve individual cases, and (iii) the European Consumer Centre can help resolve cross-border consumer disputes.

II. LEGAL STATUS, ORGANISATIONAL STRUCTURE, AND THE RESTRUCTURING OF THE AUTHORITY

The GVH is an autonomous public administrative body that it is independent of the government. It operates under the supervision of the National Assembly and its budget is maintained separately from the government. The GVH is subordinated only to the National Assembly; its tasks can only be specified by law. Each year, the President of the Authority prepares a report for the National Assembly on the activities of the GVH and on how the principles of fair and free market competition are being implemented based on the experiences of the GVH during the enforcement of the Hungarian Competition Act. The GVH is an authority with a national jurisdiction; therefore, it does not have any regional offices. The GVH performs the competition supervision tasks specified and included in its scope of competence by the Hungarian Competition Act and other sectoral legislation, as well as the competition supervision tasks delegated to the Member States under EU law. **The GVH operates using a unique structure that is different from that of other administrative bodies;** nevertheless, the general rules of the administrative procedures in force at any given time (Act CXL of 2004 on the General Rules of Administrative Proceedings and Services, Act CL of 2016 on the General Rules of Administrative Proceedings) is applicable to its procedures in an ancillary manner.⁴ Its exceptional status regarding the applicability of the general rules of public administrative procedures results from the fact that the procedure of the Competition Council – as a decision-making body – **is more similar to a court proceeding;** however, the investigation phase is more compatible with the procedural rules of public administration since it primarily represents an **activity of a public administrative body**. All of the above is supplemented by legal institutions well known in criminal procedural law, such as **‘quasi-investigative powers’** or the right to organise unannounced on-site inspections, i.e., **dawn raids**.



⁴ Article 46 of the Competition Act

Competition supervision proceedings are not suitable for resolving individual issues or complaints. Competition supervision proceedings are initiated based on market signals – formal or informal complaints – received from competitors, consumers, civil organisations, etc. or ex officio based on merger notifications or the GVH's own observations.

The efforts of the Authority focus on protecting the fairness of competition, improving competition culture, and increasing the consumer welfare of the citizens, with special attention to the interests of vulnerable Hungarian consumer groups (children, retirees, people suffering from illnesses). In order to efficiently achieve these goals, **it was essential** to speed up the proceedings of the GVH and **restructure the operation of the organisation in an innovative manner**, both of which took place in 2020.

The aim of the significant organisational restructuring of the GVH was to ensure more effective operative functioning and increased teamwork in order to **make the GVH a more flexible national authority that is quick to adapt even under unique conditions, more proactive, able to react quickly to market processes and friendly to customers**. These changes do not affect the independent nature of competition supervision proceedings and also do not mean the introduction of instructional powers regarding the professional work of the case handlers of the GVH. Both the case handlers of the GVH and the Competition Council continue to perform their tasks independently and subject only to the applicable legal provisions.



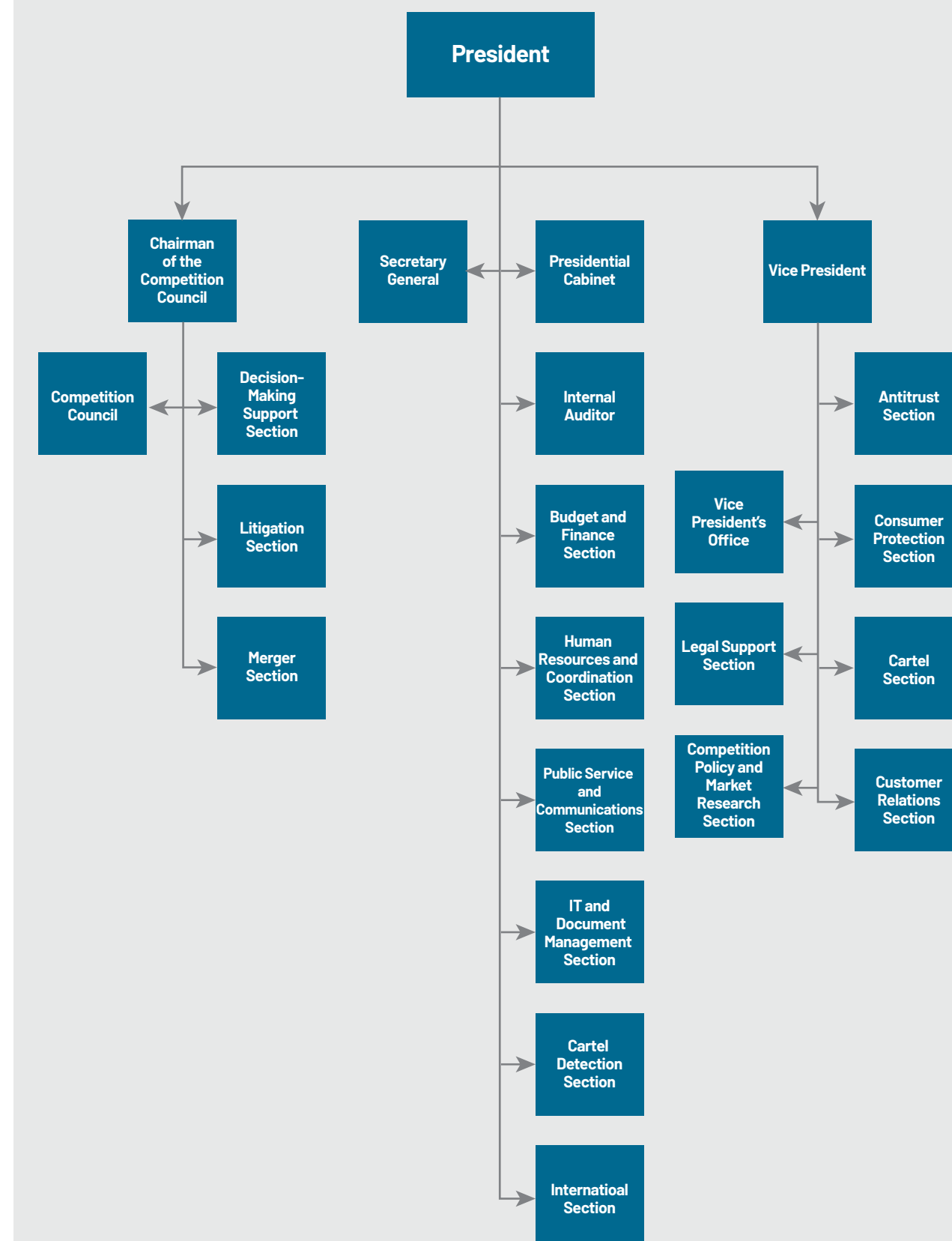
The GVH is headed by a **President**, whose role is supported by **two Vice Presidents** and a **Secretary-General**. The President is appointed by the President of the Republic based on the nomination of the Prime Minister for a period of six years, while the nominations regarding the roles of the Vice Presidents are submitted by the President of the GVH to the Prime Minister who – if in agreement – once again submits these nominations to the President of the Republic with respect to their appointment for a period of six years. At the same time as their appointment, the President of the Republic also entrusts one of the Vice Presidents with performing the tasks of the President of the Competition Council, while the role of the Vice President General involves the coordination and supervision of the work of the professional sections. In addition to the tasks specified by the law in force and any normative rules, the Secretary-General is also responsible for performing the organisational tasks related to the functioning of the Authority. The professional sections subordinated to the supervision of the Vice President General are organised based on case type.

In connection with competition supervision cases, these professional sections are responsible for deciding whether to order the initiation of a competition supervision proceeding, the final decision about which is subject to the coordination and approval of the Vice President; furthermore, they see to the completion of initiated investigations. To this end:

- i. they continuously monitor competition and the operation of markets;
- ii. based on individual formal and informal complaints received by the Authority, they decide whether to initiate an ex officio competition supervision proceeding and if they suspect that an infringement has been committed, they may also launch a competition supervision proceeding on their own initiative;
- iii. they perform the competition supervision proceedings initiated ex officio, terminate ongoing proceedings if required, and prepare the decision of the Competition Council;
- iv. they conduct follow-up investigations to monitor compliance with the enforceable decisions of the Competition Council.

In addition, the professional sections also participate in commenting on the proposed bills and draft legislations submitted to the Authority for consultation and the other competition advocacy activities of the GVH, as well as the activities aimed at developing and promoting competition and consumer culture.

ORGANOGRAM OF THE GVH AFTER THE ORGANISATIONAL RESTRUCTURING IN 2020



III. THE COMPETITION SUPERVISION PROCEEDING

With respect to competition supervision cases, the resolutions effectively concluding the competition supervision proceedings of the GVH and a portion of the termination orders are adopted by the Competition Council, which operates as a separate decision-making forum within the Authority; it also ensures that these decisions are published and enforced. It is also the responsibility of the Competition Council to evaluate any appeals against the so-called interim orders adopted during competition supervision proceedings. The work of the Competition Council is organised and supervised by the President of the Competition Council. The Competition Council investigates cases as either a three- or five-member council, the members of which are appointed by the President of the Competition Council. The Hungarian Competition Act provides the members of the Competition Council with full autonomy with respect to conduct of the competition supervision proceedings; when adopting their decisions, they are subordinated only by the law and they may not be instructed.⁵



The administration, handling, processing and preliminary filtering of consumer signals – as well as certain tasks related to the complaint's procedure – are performed by the **Customer Service Section**, which is under the control of the Vice President General. Both formal and informal complaints are important market indicators that help the work of the Competition Authority. Anyone can easily report an infringement falling within the scope of competence of the GVH by submitting a formal or informal complaint. A formal complaint can be submitted by correctly filling out the form published by the Authority, while an informal complaint can be submitted without fulfilling any specific format or content requirements; informal complaints can be hand-written submissions, letter, emails, etc. As a consequence, informal complaints are also evaluated as part of a simpler procedure. Since the proceedings of the GVH are initiated ex officio, the person submitting the formal or informal complaint is not considered a party even if an investigation is ordered by the Authority based on their submission, and thus they are also not included in the future decision of the Competition Council.

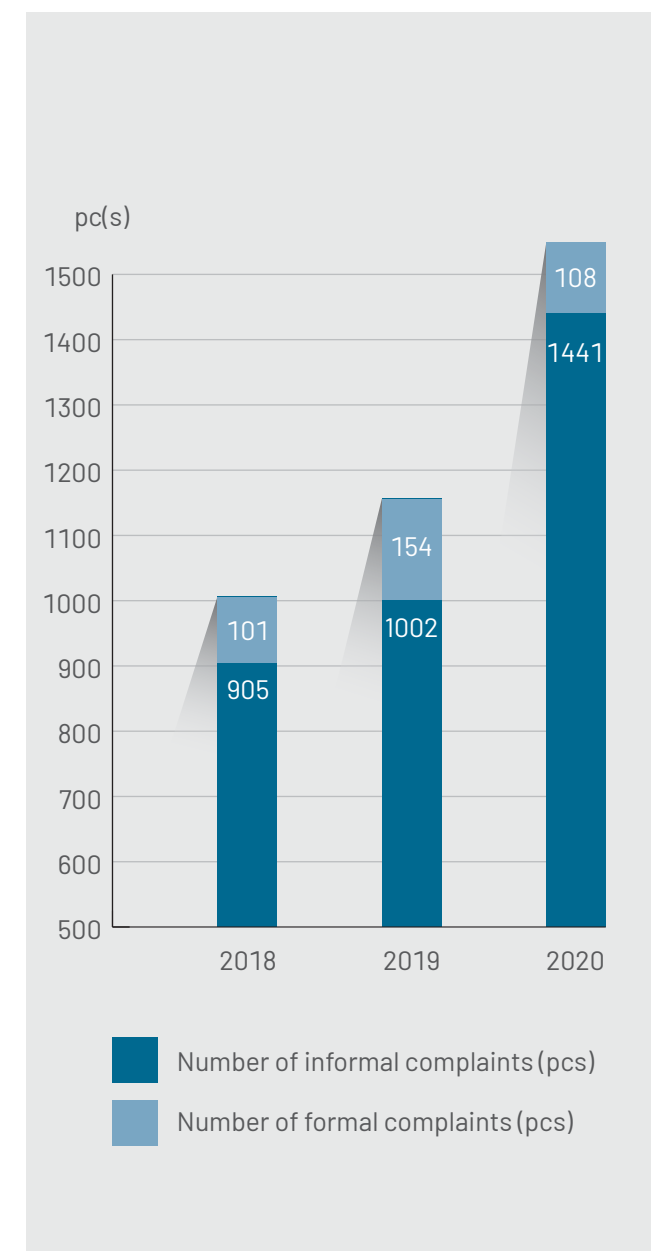
⁵ Article 37 (1) of the Competition Act

Administrative time limit

The GVH has three months to adopt a decision regarding cases opened due to allegations of unfair commercial practices or the unfair manipulation of business decisions. If justified, this time limit may be extended on two occasions by a maximum of two months each time. The Authority is required to conclude proceedings initiated to investigate restrictive agreements and abuses of dominant position within six months, which can be extended on two occasions by a maximum of six months each time if justified.

The number of submitted informal complaints significantly increased due to the COVID-19 pandemic. Citizens and undertakings submitted 1441 informal complaints and 108 formal complaints in 2020, which represents an increase of more than 33% compared to 2019.

It is important to note that the submission of a formal or informal complaint does not automatically lead to a proceeding being initiated. The Authority investigates the specific content of the formal or informal complaint in each case and orders an investigation only if the observed behaviour is likely to infringe the provisions of the Competition Act (or EU competition law), the case falls within the scope of competence of the GVH, and the protection of the public interest requires the Authority to take action.



IV. FUNDAMENTAL VALUES, VISION AND MEDIUM-TERM INSTITUTIONAL STRATEGY OF THE GVH

IV.1. Fundamental values of the GVH⁶

1. LEGALITY AND FAIR TRIAL

The GVH performs its activity in accordance with Hungarian and EU legislation while respecting the rights of the persons involved in the proceeding, facilitating the enforcement of these rights, and fulfilling its obligations related to the mutual cooperation of the involved parties. **All employees of the GVH are required to perform their tasks impartially and observe the requirements of a fair trial.** Consequently, during the work of the Authority, the requirements of a fair trial necessitate compliance with the procedural rules provided in the Fundamental Law of Hungary, in the law in force, and in the legal acts of the European Union (whether generally applicable or specifically applicable to the case at hand).

2. CUSTOMER FOCUS

Customer and community focus must become a fundamental value present across the entirety of our organisational culture. To this end, the following basic requirements must be ensured: GVH proceedings must be transparent and predictable; colleagues must conduct proceedings in a manner that does not place undue burdens on customers; and communication between customers and the Authority must be open and bidirectional.

3. PROFESSIONALISM

As a value that is central to the entire activity of the GVH, employees are expected to fulfil the requirements of professional excellence and are supported in this endeavour. Accordingly, **tasks must be consistently completed to the highest professional standards.** The professionalism present across the entirety of the operation contributes to ensuring that the performance of the activities of the GVH is efficient, its actions are effective, and its decisions are legitimate, substantiated and consistent, thus further improving its professional prestige.

4. COOPERATION AND RECOGNITION OF COLLEAGUES

Our colleagues are actively involved in the development of office targets and prioritise their fulfilment when performing their tasks; in addition to striving for personal excellence, our colleagues cooperate with each other when completing their tasks, thereby facilitating the creation of a cohesive community and improving the overall performance of the GVH. **The GVH places special significance on requiring colleagues to cooperate with each other in the performance of the activities of the GVH – in line with the value of professionalism – and on providing them with support to achieve this goal.**

5. INTEGRITY, TRANSPARENCY AND PREDICTABILITY

The GVH is committed to ensuring that its operation is as transparent as possible and accessible to professional circles as well as the wider public. **The requirements of transparency and predictability arise from the basic principle of the right to a fair trial and promote legal security, including the consistent enforcement of the law by the GVH and voluntary compliance with the law by market players. GVH employees are obliged to report – to their supervisor within the Authority or to the competent authority– any corrupt activities they may become aware of, the wasteful, private or non-transparent use of public funds and public assets, activities infringing the right to a fair trial, as well as any situation that may result in any of the above.** The GVH also ensures the in-practice enforcement of professional ethical standards with the help of an internal rule (Code of Ethics), which guarantees the protection of those who submit such reports and the impartial investigation of the contents of these reports.

6. AUTONOMY AND PARTNERSHIP

The GVH is an autonomous public administration body; its President reports to the National Assembly. During its operation, it endeavours to cooperate with the external stakeholders concerned by its activity as partners. In particular, **the GVH views the sectoral supervision authorities responsible for the economic regulation of individual sectors as well as other public administration bodies as key partners** and strives to cooperate with them in various forms, for example by coordinating actions aimed at resolving a variety of issues and making combined use of the tools available to each authority. The GVH also pays attention to the operation of other institutions dealing with competition policy issues, foreign competition and sectoral supervision authorities, and certain international organisations (in particular, the ECN, the OECD, the International Competition Network and the UNCTAD). **The Authority also treats persons, organisations, and institutions active within domestic and international professional and academic circles, as well as the private sector, as important cooperative partners.**

⁶ https://gvh.hu/en/gvh/strategy/the_strategy_of_the_hungarian_competition_authorit

IV.2. The Medium-term Institutional Strategy of the GVH

In accordance with the organisational changes, **the Authority reviewed and amended its Medium-term Institutional Strategy⁷** in October 2020, together with the goals defined therein. The modifications implemented during the review process reflect the fact that the GVH is a modern national institution that is able to react to changes.

The GVH is a recognised, continuously renewing and cooperative institution that has a decisive influence over professional issues related to competition.

Through its timely action tailored to the competition-related problem at hand, it is able to exert an actual influence on market processes in a way that improves consumer welfare. Its decisions are of the highest professional standard, and its law enforcement is consistent and predictable. The Hungarian Competition Authority is at the forefront of domestic competition law developments and has been an active and recognised member of the international organisations involved in its activities for decades. Maintaining and further improving our professional prestige and reputation are especially important goals. The GVH promotes consumers and undertakings' awareness and understanding of competition-related matters through its communication and compliance encouragement activity.

It manages its administrative proceedings efficiently while observing the key requirement of effectiveness. It operates in a transparent, customer-friendly and socially conscious manner. **It consciously improves its organisational culture and operations. It continuously expands its wealth of knowledge and understanding of the market and keeps up to date with technological developments.** Public servants with advanced professional knowledge and competence are an essential asset to the GVH. Our colleagues are dedicated and motivated; they perform their tasks responsibly and to the highest possible standard, for which they receive appropriate financial compensation and professional recognition.



⁷ https://gvh.hu/en/gvh/strategy/the_strategy_of_the_hungarian_competition_authorit

V. OBJECTIVES AND RESULTS IN 2020

V.1. New strategic directions, voluntarily accepted tasks

New strategic directions in a nutshell

- accepting effective commitments in addition to imposing competition supervision fines
- preferential acceptance of forward-looking compensation programmes that promote competition
- furthering the development of practices that are in compliance with the law
- focusing on cases where we are able to adopt decisions that would have a significant impact on the market
- new antitrust fines notice and significant discretion for the Competition Council to take into account the intention of undertakings to ensure future compliance and provide compensation
- the protection of exposed or vulnerable consumers with special needs
- expansion of our understanding of behavioural economics
- strengthening cooperation with other authorities
- addressing the challenges of the digital economy
- promoting the development of appropriate competition law systems in the case of platform regulations and 'gatekeeper ecosystems', supporting the implementation of regulatory solutions

The President of the GVH managed to achieve one off savings worth **HUF 150 million⁸** (EUR 430 thousand) on the 2020 budget of the Authority in the spring of 2020, which he **transferred back to the central budget in order to contribute to the mitigation of the economic damage caused by the COVID-19 emergency situation and the relaunch of the Hungarian economy.**

Taking the global pandemic into consideration, the GVH reviewed its procedural priorities in April 2020 and also adjusted the priority criteria applicable to consumer protection, antitrust and cartel procedures.⁹ Due to increased interest on the part of consumers, the investigation of commercial practices related to the coronavirus disease, classified as a pandemic by the World Health Organisation (WHO) of the UN, received priority. The effective detection of infringements related to the pandemic became an important objective, together with the investigation of the vertical agreement and behaviours infringing the prohibition of abuse of a dominant market position associated with COVID-19¹⁰.

Among the new objectives set in 2020, **digitalisation** and the development of a **green authority** should be highlighted. Within the framework of these, **a secure home office environment was created for the duration of the pandemic** and environmentally friendly solutions were implemented, such as the introduction of electronic signatures (GOV CA) for our employees and the wider use of electronic administration. Selective collection of waste was also introduced in 2020, and the green strategy of the Authority is expected to be approved during 2021.

⁸ Approximately 5% of the total budgetary expenditure of the GVH in 2019. The EUR amounts provided were calculated using the exchange rate of the Central Bank of Hungary effective on 31/05/2021 (HUF 348.24).

⁹ Article 33 (5) of the Competition Act

¹⁰ Primarily products and services affected by increased demand, shortages, increased prices, logistical and supply difficulties caused by the COVID-19 pandemic.

The GVH also **revised its procurement policy** in order to improve the transparency and integrity of procurement processes in 2020. The requirements set out in the new policy are more strictly defined than in any previous policy; the policy clearly defines the tasks and scopes of competence of the organisational sections participating in the procurement process.

With respect to the types of decisions related to certain procedural measures and adopted in competition supervision proceedings or in proceedings related to formal and informal complaints, – in order to ensure the legal requirements applicable to such decisions – **new document templates were developed, which facilitate the preparation of uniform and quick investigative decisions that comply with the respective requirements.**



On 4 December 2020, the Hungarian Competition Authority won the title of **'Family-Friendly Workplace'** in a contest held by the Ministry of Human Resources.¹¹ This title recognises not only the results achieved by the Authority so far in ensuring its family-friendliness (childbirth and schooling support, family programme awards for Children's Day) but also its **future development plans** (introduction of family day, development of child-friendly office workstations, work-life balance, coaching programme, information leaflet about family-friendly support options and discounts). The GVH has already provided its staff with numerous opportunities to strike an appropriate balance between their work and family life, regardless of the stage of their career or private life they are at.

In line with the restructuring of the organisation of the Authority, the image and the official logo of the GVH were also renewed in 2020, further emphasising the elements of the uniform national image included therein.



In January 2021, the GVH published its **Flash Report** for the first time, which presents its results in the field of domestic competition law.¹² The Flash Report was compiled and published in accordance with the President's goal of renewing the national authority in 2020, according to which *'We all have to do what we can to ensure the competitiveness of the Hungarian economy, including the staff of the GVH.'* The publication titled 'About the Hungarian Market Competition in Plain Language, Flash Report on the Activities of the Hungarian Competition Authority – 2020' describes the GVH's contribution in this regard **in both Hungarian and English, using 26 thematic graphs** to demonstrate and emphasise how the GVH strengthens market competition and helps enforce the rights of Hungarian consumers. Future *Flash Report* publications will be issued on a regular basis (every six months) and will complement the existing communication channels used by the GVH to keep stakeholders – that is undertakings, professionals, decision-makers, and the public – informed.



¹¹ https://gvh.hu/en/press_room/press_releases/press-releases-2020/the-hungarian-competition-authority-is-a-family-friendly-workplace

¹² <https://gvh.hu/en/gvh/flash-reports/flash-reports>

The Authority also began **revising and renewing its cooperation agreements** with domestic public administrative bodies and governmental entities in 2020.¹³ Within the framework of this process, it entered into **6 new cooperation agreements in 2020 and another 2 are set to be signed in January 2021 as a result of processes that were started in 2020.**¹⁴

Within the framework of a cooperation arrangement, the GVH has consulted the National Media and Infocommunications Authority (NMHH) on several occasions, in relation to which its submitted comments concerning the ex-ante resolutions of the NMHH and the monitoring of the frequency tenders should be highlighted. The experts of the GVH also cooperated with the Hungarian Energy and Public Utility Regulatory Authority (MEKH) in connection with a resolution of the authority concerning dominant market position. Similarly to previous years, several consultations were held with the Central Bank of Hungary, for example on the topic of payment systems and insurance. With respect to issues affecting the domestic pharmaceutical market and relevant in terms of competition law, such as shortages and certain consumer protection questions, the GVH is also continuously consulting the experts of the National Institute of Pharmacy and Nutrition (OGYÉI). The Authority also provided assistance to a municipality in connection with an energy market issue.

Through its professional work, the GVH actively contributed to the performance of the state activities required to relaunch the economy and address the economic challenges posed by the global pandemic. The President of the GVH also played a proactive role in the work of several committees, supported by the professionals working at the Authority:

i. Economy Protection Operational Group

The President of the GVH was invited to take part in the meetings of the Economy Protection Operational Group, founded at the end of June 2020.¹⁵ The Operational Group is comprised of the heads of various governmental bodies and is coordinated by the Minister of Finance. The heads of these bodies, which also includes the President of the GVH, were called upon to formulate professional recommendations that would facilitate the fast and effective relaunch of the economy and to comment on the governmental and administrative proposals issued on this subject. In 2020, the GVH commented on 12 recommendations and created recommendations on 23 topics on its own initiative, aiming to reduce the bureaucracy of tax and employment and other factors hindering the operation of undertakings, in particularly barriers to investment.

ii. The Public Procurement Council within the Public Procurement Authority

In April 2020, the President of the GVH was elected as the Vice-President of the Public Procurement Council. President Csaba Balázs RIGÓ previously served as the President of the Public Procurement Council between 2015 and 2020 due to his position as the President of the Public Procurement Authority. The Council performs tasks related to the enforcement of the principles specified in the Public Procurement Act, public interest objectives and the interests of the contracting authorities and bidders, including the **issuance of guidance documents on public procurement** and commenting on draft legislations.

iii. Digital Freedom Commission

The Ministry of Justice established the Digital Freedom Commission (DSZB) in March 2020, in which the President of the GVH also actively participates.¹⁶ Its aim is to address the challenges of the digital economy, ensuring the **transparency of the so-called big tech undertakings and that the fundamental values of democracy are applied in the digital space in particular.** As part of his active participation, the President of the GVH supported the work of the DSZB by sharing the experiences of the Authority regarding the digital economy.

iv. National Economic and Social Council of Hungary

The National Economic Social Council of Hungary (NGTT) is a **cross-sectoral institution acting as a forum for social consultation and discussion**¹⁷, in the plenary sessions of which the President or Vice President of the Hungarian Competition Authority is also invited to participate with a right of consultation.¹⁸ The work of the NGTT in 2020 was primarily aimed at minimising the economic and social damage caused by the global pandemic; therefore, the recommendations of the President of the GVH were also connected to these objectives, namely supporting the creation of new jobs at SMEs.

¹³ https://gvh.hu/en/gvh/cooperation_agreements/4240_en_cooperation_agreements

¹⁴ The GVH has renewed its bilateral cooperation agreements with the Public Procurement Authority, the Hungarian National Authority for Data Protection and Freedom of Information, the Central Bank of Hungary, the National Institute of Pharmacy and Nutrition and its trilateral agreement with the Ministry of Innovation and Technology and the Central Bank of Hungary; furthermore, it has agreed to cooperate with the Ministry of Justice, the National Health Insurance Fund Manager, and the Hungarian Energy and Public Utility Regulatory Authority in the future

¹⁵ <https://gvh.hu/en/actualities/the-president-of-the-gvh-also-participates-in-the-work-of-the-economy-protection-operational-group>

¹⁶ <https://digitalizsabadzsag.kormany.hu/en>

¹⁷ <http://ngtt.hu/en>

¹⁸ Article 5 (2) of Act XCIII of 2011 on the National Economic and Social Council of Hungary

V.2. Tasks related to consumer protection

During the COVID-19 pandemic, the Authority has been continuously monitoring the development of market processes. In this regard, it is particularly important that the Authority is able to react quickly and effectively – using the tools at its disposal – to any observed newly emerging practices that may be problematic from a competition law perspective. In cases where the GVH wishes to gain a quick overview of the applied commercial practices that may give rise to the initiation of a competition supervision proceeding, it will continue to use the so-called sweep tool (a set of fast, coordinated checks carried out on websites simultaneously). Based on the experiences of the GVH, the sweep tool can be used to discover infringing practices and to serve as a sufficient basis for taking future steps. All in all, the GVH is constantly working towards expanding its consumer protection toolset in order to ensure that the protection of consumer interests is placed directly in the centre of its operations.

During the pandemic, the GVH is organising its consumer protection interventions along three 3 key criteria:

- i. iprevention
 - interim measures,
 - sweep
- ii. provision of information
- iii. performing competition supervision proceedings

Upon the emergence of the COVID-19 virus in Hungary, the GVH sought to address unfair commercial practices as quickly as possible. In March 2020, the Authority (i) published guidance documents for undertakings and consumers in order to ensure that advertisers develop their commercial practices appropriately and consumers are able to recognise any unfair commercial practices, (ii) performed a sweep on its own initiative focusing on the online sale of products against coronavirus, the results of which were published in a press release, and then joined a sweep performed by the CPC authorities relating to the same product category. The GVH launched several competition supervision proceedings in connection with commercial practices that allegedly misled consumers about the effectiveness of the concerned products against COVID-19. In order to ensure timely and effective intervention in these proceedings, interim measures were implemented.

V.3. Action against antitrust infringements

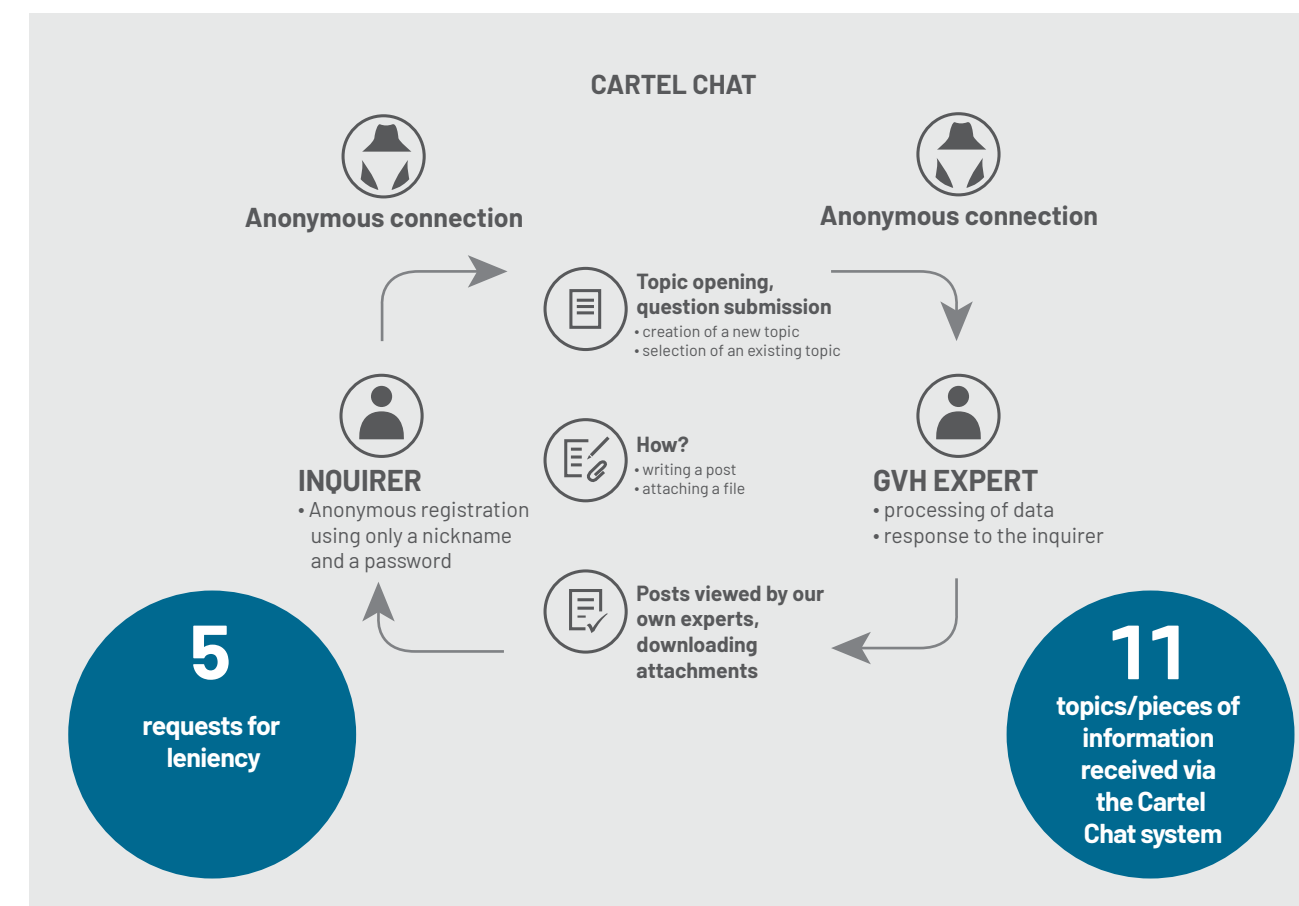
The spread of digitalisation and the increased presence of e-commerce in everyday life have significantly changed the structure of competition in certain markets. The actions taken by the Authority against antitrust infringements related to this process (such as the fixing of retail prices, price-parity clauses) are especially important since these practices result in higher prices for Hungarian consumers and prevent them from accessing the services of innovative undertakings at more favourable prices. Furthermore, these infringements restrict the pricing freedom of domestic SMEs operating in the retail sector. Therefore, **it is necessary to continuously ensure, using competition supervision tools, that large digital undertakings cannot use their market position to eliminate their competition.**

V.4. Fight against cartels, in particular public procurement cartels

In terms of the law enforcement, the fight against cartels – especially those affecting public procurement procedures – was also a strategic goal in 2020, similarly to previous years¹⁹. Progress in this field was facilitated by a tool provided by the law in force that builds on and complements the existing investigation tools, namely the Cartel Chat²⁰. The Cartel Chat system enables individuals and undertakings to anonymously contact the GVH; it has received an award from the ICN and has been used by the GVH since 2016.

The Cartel Chat system allows individuals and undertakings to report a cartel, provide information about a cartel or to submit questions on this topic. It is a digitally closed contact system that allows users to register using any username, thereby providing users with anonymity. In addition to the Cartel Chat and the previously applied leniency policy and informant reward scheme have become important mechanisms through which the GVH can collect information and detect cartels; the three sources of information complement and improve the effectiveness of one another.

The Authority received a total of **5 leniency requests** in 2020, while **11 topics were opened on the Cartel Chat system that eventually provided the GVH with information that helped it detect certain cartels.**



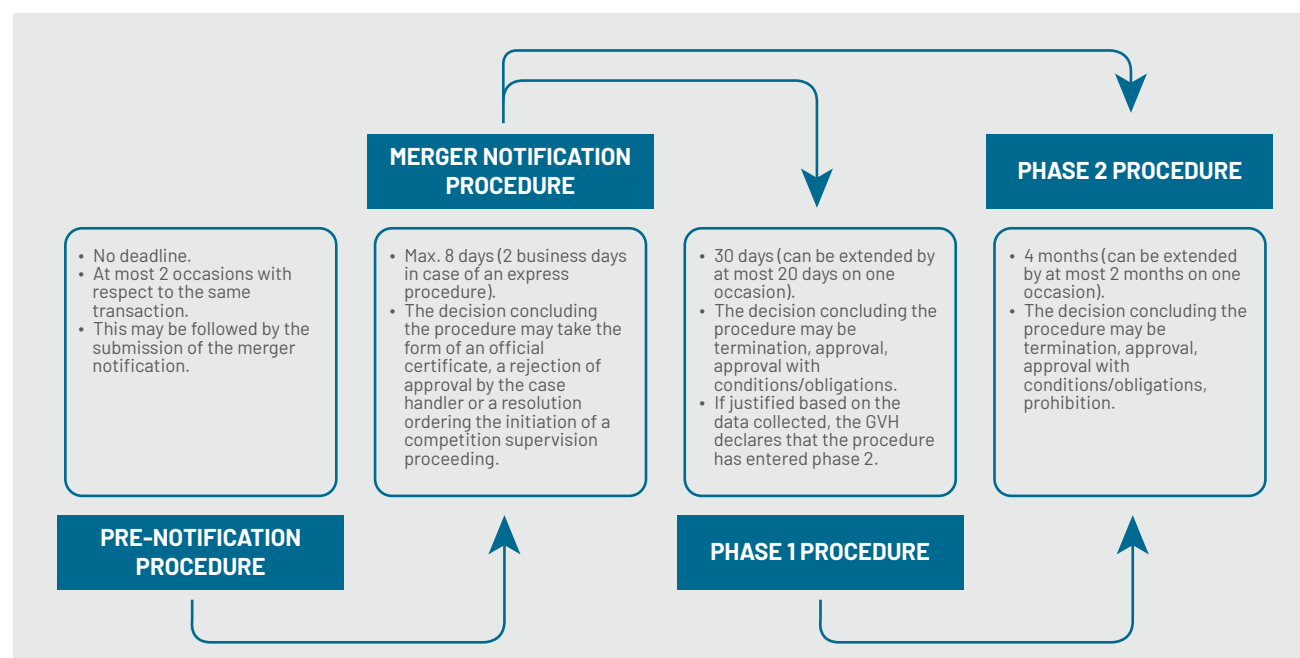
V.5. Merger control

The purpose of the merger control provisions included in Chapter VI of the Competition Act is to ensure that all mergers and acquisitions (and any other acquisitions of control) important from the point of view of the national economy can be supervised by the Hungarian Competition Authority. To ensure this, all transactions reaching the threshold values specified in the Competition Act must be reported to the GVH. Since relatively few mergers pose an issue from the point of view of competition law, merger control can be considered effective if it ensures to a sufficient degree that non-problematic mergers, which constitute the vast majority of cases, can be approved within the shortest period of time and without generating an undue administrative burden. However, in the case of transactions that do present a problem from a competition law perspective, the public interest associated with fair competition becomes the primary consideration since transactions that result in the restriction of competition cannot be permitted. If necessary, the GVH must intervene, either by way of a prohibition order or – if possible – by specifying obligations that are able to eliminate the competition issues posed by the transaction.

¹⁹ https://www.gvh.hu/en/press_room/press_releases/press-releases-2020/recent-cartel-cases-of-the-hungarian-competition-authority

²⁰ https://gvh.hu/en/press_room/press_releases/press_releases_2016/hungarian_success_in_the_icn_wbg_competition_advoc

The rapid and efficient conclusion of proceedings approving mergers also emerged as a priority during the law enforcement activity of the GVH in 2020, as this reduces the risks associated with such transactions.



V.6. Support provided to law enforcement agencies – review of notices and information leaflets

Article 36 (6) of the Hungarian Competition Act entitles the President of the Hungarian Competition Authority and the President of the Competition Council to issue notices describing the basic principles of the law enforcement practices of the GVH. As opposed to legislation, such notices have no binding force; their function is to disclose the interpretation of the legal provisions by the GVH as a law enforcement agency, providing summaries of well-established past practice and outlining the practice that is to be followed in the future.

Based on the law enforcement experiences of previous years, it became necessary to revise the fine application principles used by the GVH in antitrust cases in order to ensure that the practices of the Authority are in line, to an even greater extent, with international trends and the requirements of national courts. As a result, the **new antitrust fine setting notice No. 1/2020 was published** on 18 December 2020.²¹ **The revision of the notices related to the proceeding for the investigation of mergers has also become necessary** based on the experiences of the law enforcement agency. As a result, a new notice was published that applies to mergers implemented after 1 January 2021, and the notice applicable to the initiation of the merger investigation procedure and the conditions for classifying such a procedure ‘not obvious’ after being declared a full-scale investigation, as well as the notice on the requirement for the imposition of conditions or obligations in merger proceedings have also been amended.

In 2020, the GVH **revised its notice on the treatment of business secrets and the submission of non-classified documents**. The notice was complemented with a table-based template, which may facilitate the identification, marking, and justification of data that include business secrets, and thus their treatment as business secrets as well. By improving the accuracy of the notice and developing this template, the GVH aims to help those who submit data, especially parties less familiar with procedural law practices, with the submission of business secret statements.

V.7. Development of competition culture

The GVH kept the public informed of its decisions, the events involving the Authority, and issues of particular interest primarily via **press releases** and its **social media channels** during the past year, similarly to the previous years.



V.8. Social responsibility

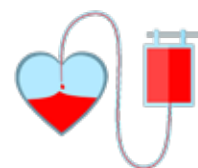
The GVH is a socially responsible organisation that seeks to actively contribute to the resolution of important social issues. Social solidarity is part of the system of conditions for social welfare in a humanitarian society. This principle is particularly apparent in the operational practices of the GVH.

Magic Bag campaign



During the summer, the GVH joined the national school bag and school supply collection campaign organised by the CsodaTáska (Magic Bag) Foundation and the Hungarian Charity Service of the Order of Malta under the title #CsodaTáska.

Blood donation



Twelve of our colleagues (10% of our staff) donated blood at the Red Cross Centre in Budapest during a period reserved specifically for the employees of the GVH. We will continue to organise blood donation events in 2021 as well.

The employees of the Authority began a fundraising campaign; a charitable cup collection action in November 2020 in order to help a little boy suffering from SMA disease and his family collect the HUF 730 million (EUR 2.1 million) required to purchase the medication needed for his treatment.

Fundraising campaign

Cup collection
to help Zsombi get better



The Consumer Protection Office is supporting the operation of the Hencida Nursery, which is situated in an especially disadvantaged region, by way of quarterly donations.

Hencida Nursery



V.9. Measures against corruption

Active steps against corruption

In 2020, the GVH reinforced its activities aimed at preventing corruption both from the point of view of organisational integrity and from the side of the integrity arising from its scope of competence. The foundations of organisational integrity have been laid at the GVH and continue to be built upon. With this in mind, an integrity consultant has started working at the Authority who is responsible for regularly reviewing the relevant policies and increasing the awareness of our colleagues through the use of training programmes. The GVH fully revised its procurement policy in order to improve the transparency and integrity of its procurement processes in 2020. The requirements set out in the new policy are more strictly defined than in any previous policy; it clearly defines the tasks and scopes of competence of the organisational sections participating in the procurement process.

The Hungarian Competition Authority also joined the members of the Roundtable on Anti-Corruption in 2020. The representatives of the organisations participating in this cooperation (the State Audit Office of Hungary, the Supreme Court, the National Judicial Office, the Attorney General's Office, the Ministry of the Interior, the Central Bank of Hungary, and the Public Procurement Authority) annually evaluate the results of their work performed in order to prevent and eliminate corruption.

In order to promote integrity associated with its scope of competence, the Authority continuously monitors reports and feedback from consumers. **As a self-improving organisation, it is our objective to ensure that citizens view the GVH as a modern national institution that is able to react to changes.**

V.10. Competition advocacy

In 2020, it was once again an especially important goal for the Authority to influence legislative processes and state decisions in a way that promotes competition, in addition to playing an active role in the implementation of the ECN+ regulation. The term 'state decisions' includes the formulation and enforcement of public policies and other governmental steps, as well as the individual administrative measures and interventions of other state agencies. **The general competition advocacy objective of the Authority is to be able to express its opinion regarding as many draft legislations as possible; another important consideration is the extent to which the recommendations of the GVH are utilised and taken into account by the legislator.**

The President of the GVH founded the **Workshop for Economic Development and Competition Advocacy** (hereinafter referred to as Workshop),²² the purpose of which is to formulate internal professional recommendations for the promotion of fair competition, as well as to comment on the proposals received from the Government and other state agencies as part of its competition advocacy activity – in a way that supports the development of a competition-friendly regulatory environment. The experts of the Workshop support the President of the GVH in performing his work in the committees established as part of state initiatives to help relaunch the economy.

The GVH has also submitted recommendations to the National Assembly regarding the expansion of the scope of competence of the GVH, among others, in line with the New Competition Tool initiative of the European Commission, which calls for the introduction of regulations that would allow the performance of investigative actions via networked electronic devices, the simplification of procedures required for founding undertakings and commencing business activities, as well as the introduction of a legal requirement to connect ticket sales to online check-outs in order to support the digitalisation of the financial sector.

V.11. Information technology developments

The pandemic posed a significant challenge for all public administration bodies and the GVH was no exception. **Providing IT support to our colleagues** in order to ensure the continuous operation of the Authority became a key objective.

²² https://gvh.hu/en/press_room/press_releases/press-releases-2020/the-president-of-the-gvh-established-a-workshop-for-economic-development-and-competition-advocacy

Consequently, significant IT developments were necessary – alongside new asset procurements – to enable electronic administration, electronic communication and safe home office work (remote access, electronic signatures). In 2020, the GVH therefore took significant steps towards becoming a modern authority and workplace that fulfils the technological requirements of the 21st century. Modernisation and thus the introduction of IT applications that support internal and external communication and activities will continue to be a priority objective of the Authority in 2021 as well.

V.12. COVID-19 pandemic

The COVID-19 pandemic also posed new types of challenges for the GVH. On the one hand, the Authority had to ensure that its public servants were able to perform their tasks in a way that minimised their exposure to the risk of contracting the virus; on the other hand, it had to ensure that it could continue its administrative proceedings and meet procedural time limits despite the implementation of COVID-19 safety measures, while also assuring that customers' rights were not restricted despite personal contact being reduced.

In connection with the healthcare emergency caused by the COVID-19 pandemic, the Competition Council made an effort to keep the situation in mind when developing its decisions, which was expressed as a reduction of the fine imposed in certain cases and the provision of payment facilities (option to pay in instalments, rescheduling instalments, temporary suspension of the payment obligation) in others. The Authority took these measures in order to ensure that the concerned undertakings could remain active on the market and that their operations would not become impossible due to the imposed fines.

Payment rescheduling with respect to a total amount of HUF 768 million in fines, payment in instalments due to COVID-19



As a member of several international organisations, the GVH has reported on its measures implemented in connection with the COVID-19 pandemic on a number of occasions. Among these, the **telephone conference held** in a virtual form on **5 May 2020**, titled ICN/OECD Webinar 'Competition Investigations during the COVID-19 Crisis', should be highlighted, **during which the GVH presented the organisational and administrative measures it had implemented** after 16 March 2020 in light of the changes caused by COVID-19. These measures included, among others, a requirement to carry out official communication electronically and an obligation to submit documents related to the work of the GVH via the official portal of the Authority (a Virtual Data Room or VDR). In addition, **Csaba Balázs RIGÓ, the President of the GVH, discussed the measures** implemented by the GVH in response to the pandemic during the **Meeting of Directors General for Competition organised by the ECN on 10 June 2020** as part of the Authority's European cooperation activity.

V.13. Human resources policy

Ensuring the continued operation of the organisation and protecting the health of our colleagues and their families became priority objectives of the reference year. The GVH **established an operative body** in order to organise and coordinate the implementation of preventative measures against COVID-19 at the Authority. Upon the emergency being declared, the GVH switched to a so-called **hybrid work scheme** (a combination of office-based work and home-based work) both in the spring and the autumn and introduced restrictive measures (mandatory masks) as well as regular disinfection practices in the building of the Authority.

Despite the difficulties caused by the pandemic, work did not stop at the GVH.

The GVH managed to preserve the prestige of public service jobs by ensuring competitive pay, expanding the range of family-friendly benefits and maintaining a flexible working schedule.

VI. STATISTICAL DATA APPLICABLE TO THE YEAR 2020

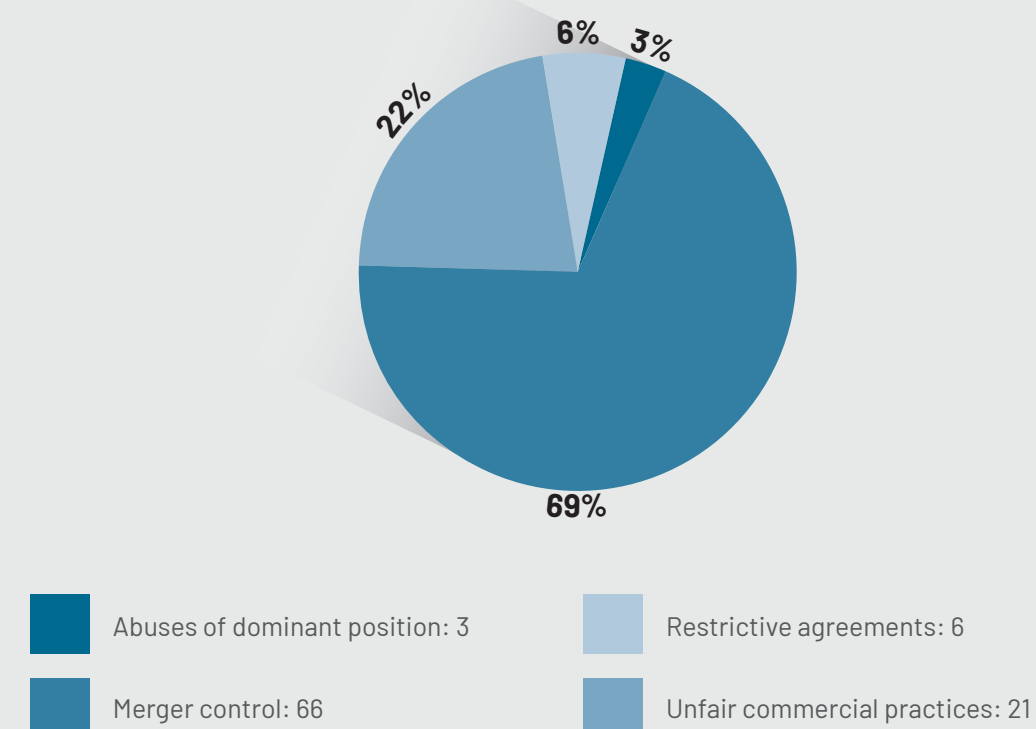
VI.1. Case and fine statistics

In 2020, the GVH initiated a total of **96 proceedings**. The trend experienced in the previous years continued, meaning that the majority of cases were related to merger control during the reference year as well. In 2020, these cases made up approximately 70% of all cases.

Out of all proceedings initiated in 2020:

- 66 were merger control investigations (12 competition supervision proceedings and 54 merger notifications)²³,
- 21 cases concerned unfair commercial practices,
- 6 concerned restrictive agreements,
- 3 concerned abuses of dominant position.

THE PROCEEDINGS INITIATED IN 2020
BROKEN DOWN BY CASE TYPE



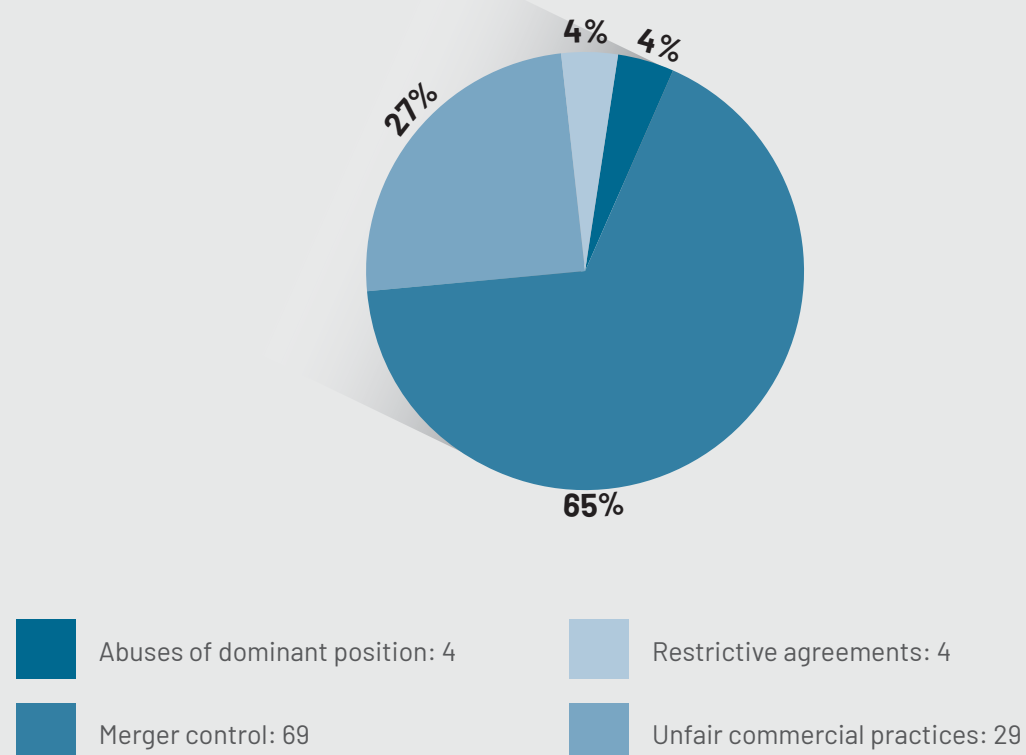
²³ Similarly to the practice of previous years, this includes both merger notification proceedings and competition supervision proceedings connected to mergers.

The GVH concluded a total of **106 proceedings** on 2020.²⁴ As a point of reference, the GVH concluded a total of **97 proceedings** in 2019, which means a **9% increase** in 2020.

Out of all proceedings concluded:

- **69** were merger control investigations (14 competition supervision proceedings, 54 merger notifications, and 1 rejected notification),
- **29** cases concerned unfair commercial practices,
- **4** concerned restrictive agreements,
- **4** were decisions concerning abuses of dominant position.

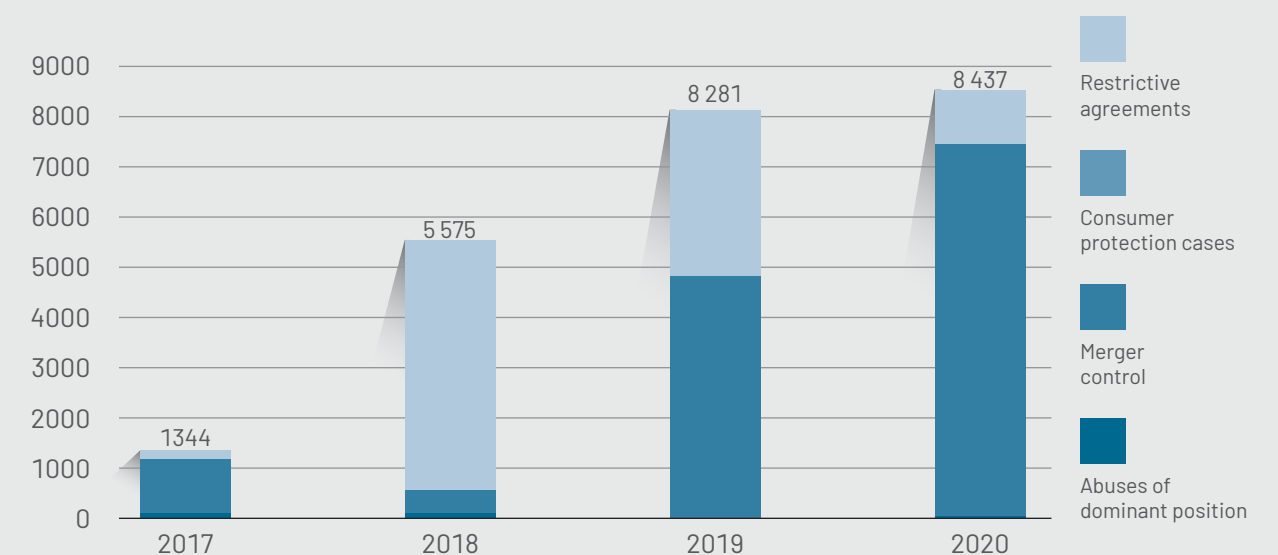
THE PROCEEDINGS CONCLUDED IN 2020
BROKEN DOWN BY CASE TYPE



In 2020, the Competition Council imposed a total of **HUF 8,437,748,500 in competition supervision fines**, which constitutes income for the purposes of the central budget. **A total fine amount as high as in 2020 had not been imposed within a single calendar year since 2013.** Half of the decisions (26 cases, 34 undertakings) resulted in the GVH establishing that an infringement had been committed, while in the case of 20 decisions, fines worth HUF 8,437,748,500 million were imposed on 28 undertakings. The total amount of the fines thus imposed was 5% higher than even the especially high amount imposed in 2019. While the sum of the fines imposed within the framework of consumer protection cases was less than 10% of the total amount imposed in 2018, this ratio had increased to 58% by 2019, and 87% by 2020. **The reason for this is clearly the significance of the digital economy as well as the fact that tech giants can be regulated the most effectively via the consumer protection regulations enforced by the GVH.**

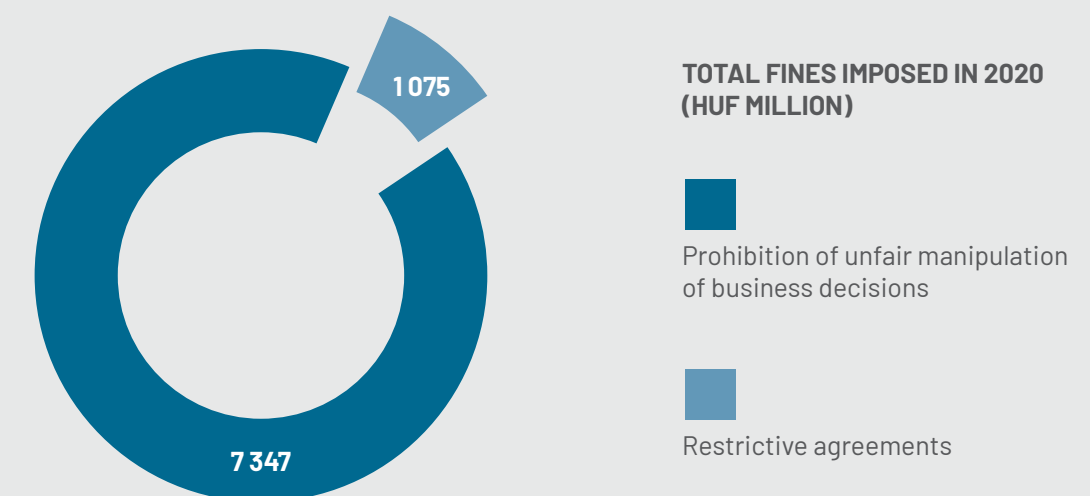
²⁴ Including proceedings terminated by the case handlers.

FINES IMPOSED BETWEEN 2017 AND 2020 WITHOUT PROCEDURAL FINES



From the competition supervision fines imposed in 2020, HUF 7347.3 million was imposed due to infringements of the prohibition of unfair manipulation of business decisions, while HUF 1075 million was imposed with respect to restrictive agreements.

TOTAL FINES IMPOSED IN 2020
(HUF MILLION)



In 2020, the Authority imposed the highest competition supervision fines in two consumer protection cases and in a single cartel case.

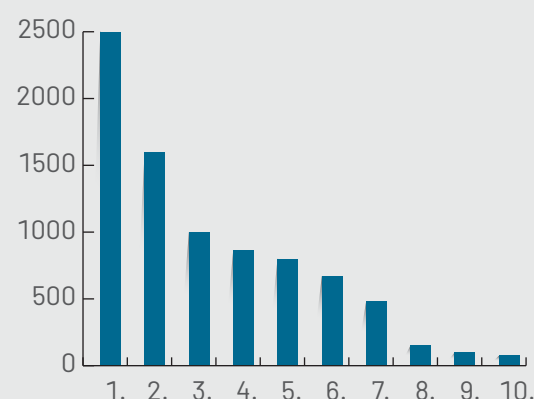
The GVH imposed a fine of HUF 2.5 billion (EUR 7.1 million) on **booking.com**, the operator of an online accommodation reservation portal, while simultaneously prohibiting the continuation of the aggressive sales methods of the Dutch undertaking. Pursuant to the decision of the Authority, Booking.com B.V. engaged in unfair commercial practices against consumers by, among others, advertising certain accommodation options with a free cancellation option in a misleading manner and by using purchase pressure cues to put psychological pressure on users to make reservations as soon as possible.²⁵

²⁵ https://gvh.hu/en/press_room/press_releases/press-releases-2020/gigantic-fine-imposed-on-booking-com-by-the-gvh

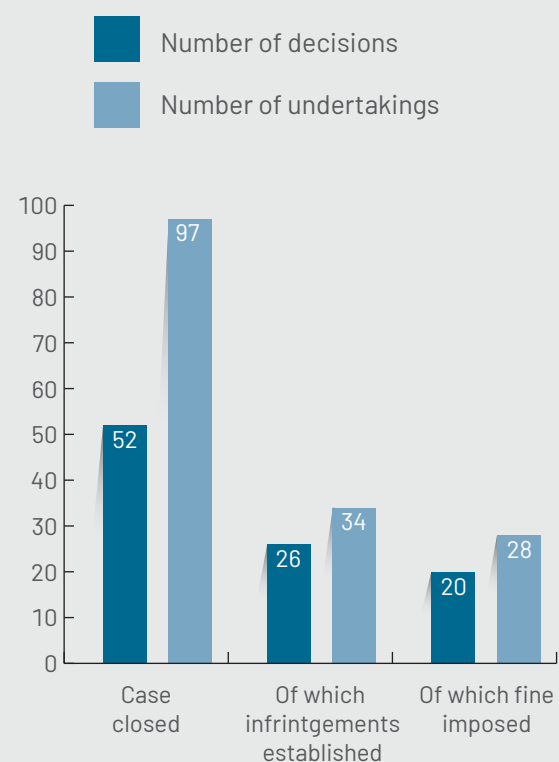
The GVH established that the dating websites **be2.hu** and **academicsingles.hu** had acted unfairly to consumers in a number of ways. Therefore, the Authority imposed a fine of HUF 1.6 billion (EUR 4.6 million) on the Luxembourg-based undertaking operating the website and ordered it to modify its practices.²⁶

The GVH established that the internal rules of the **Hungarian Association of Human Resources Consultants** restricted competition among its members. The GVH imposed a fine of HUF 1 billion (EUR 2.9 million) for the infringement.

**THE 10 HIGHEST FINES IMPOSED IN 2020
WITHIN THE FRAMEWORK OF COMPETITION SUPERVISION PROCEEDINGS (HUF MILLION)**

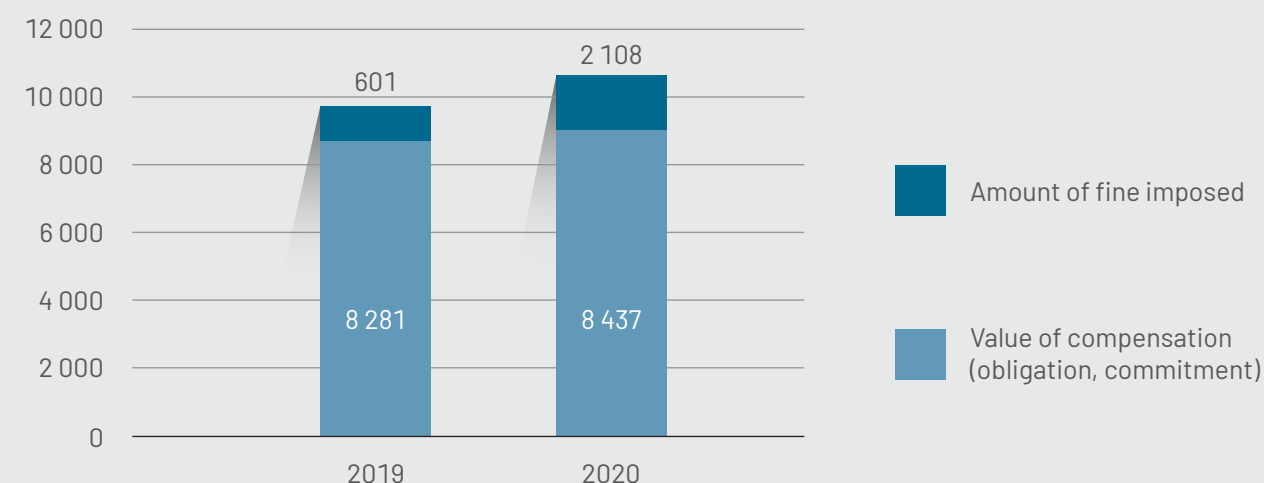


1. VJ/17/2018. (Booking)
2. VJ/19/2018. (Be2)
3. VJ/61/2017. (HR consultants)
4. VJ/39/2018. (Alza)
5. VJ/10/2019. (Direct Group)
6. VJ/21/2018. (Magyar Telekom)
7. VJ/33/2018. (Emporia Style)
8. VJ/23/2017. (Biotech Nutrition)
9. VJ/26/2019. (The Hut)
10. VJ/6/2018. (Heineken)



In 2020, the GVH adopted decisions against 97 undertakings within the framework of 52 competition supervision proceedings, of which 50% (26 cases, 34 undertakings) resulted in the GVH establishing that an infringement had been committed, while in the case of 20 decisions, fines worth HUF 8,437 million (EUR 24.2 million) were imposed on 28 undertakings. Not counting decisions related to mergers, the GVH accepted the commitments of 7 undertakings, representing 20% of the cases closed in 2020; therefore, no infringement was established and no fines were imposed in these cases, while the payment of the fine was waived by the GVH in 3 cases due to the consumers being compensated. This is due to the fact that during the adoption of its decisions, the Competition Council takes into account whether an undertaking intends to compensate the consumers concerned for its infringement either fully or partially. The total value of compensation paid to consumers in 2020 was above HUF 2.1 billion (EUR 6 million).

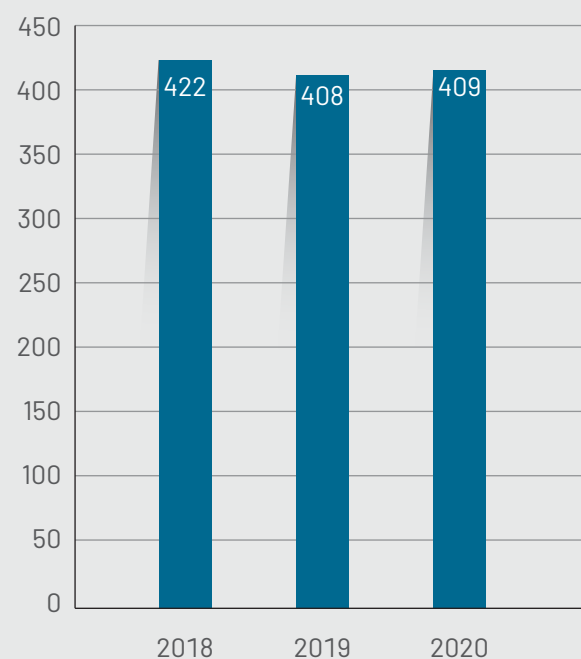
RATIO OF FINES TO COMPENSATION BETWEEN 2019 AND 2020 (HUF MILLION)



In addition to substantive decisions, the GVH often adopts decisions required for the continuation of proceedings as part of its work, such as making decisions regarding appeals, requests for access to documents and other applications; these decisions are essential for the substantive conclusion of the relevant cases. **Between 2018 and 2020, the number of resolutions adopted by the Competition Council as part of competition supervision proceedings was of a similar magnitude each year, which tied up a significant amount of resources.**

²⁶ https://gvh.hu/en/press_room/press_releases/press-releases-2020/fine-amounting-to-huf-1.6-billion-imposed-by-the-gvh-on-dating-websites-operated-by-a-company-registered-in-luxembourg--

INTERIM DECISIONS ADOPTED BY THE COMPETITION COUNCIL BETWEEN 2018 AND 2020



During competition supervision proceedings, the GVH imposed procedural fines against 19 undertakings with a total value of HUF 322,941,035.

Pursuant to Article 61 (1) of the Competition Act, procedural fines may be imposed on those who engage in an act or demonstrate a conduct which has the object or result of protracting the proceeding or preventing the establishment of the facts of the case, or on those who otherwise culpably fail to meet an obligation.

In 2020, interim measures were ordered in 3 cases to prohibit the continuation of the conduct which is likely to constitute an infringement or to order the termination of the situation which is likely to constitute an infringement.

If the subsequent fulfilment of an obligation imposed on a party in a proceeding – such as a competition supervision fine for an established infringement – appears to be jeopardised, the Authority is entitled to order the payment of a monetary sum or the deposition of a specific asset as a temporary guarantee. This was necessary in 3 cases in 2020.

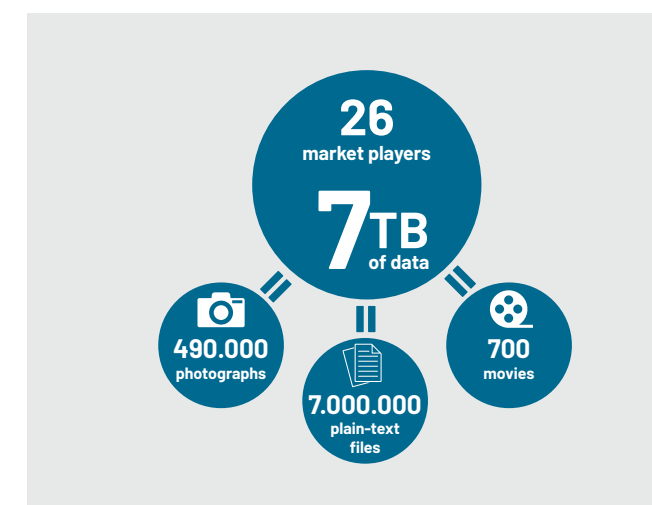
DATA ON PROCEDURAL MEASURES 2020



During last year, the Authority performed unannounced on-site inspections²⁷ (dawn raids) at 26 undertakings as a result of the intelligence activity of the Cartel Detection Section, making copy of and processing a total of approximately 7 TB of data during these investigative measures.

On-site inspection

The purpose of on-site investigations is to allow the case handlers of the GVH to collect evidence of an alleged infringement or a merger under investigation at the premises of the concerned undertaking. On-site inspections can only be performed in possession of a court warrant. In 2020, the case handlers of the GVH performed 8 unannounced on-site inspections at a total of 26 locations.



VI.2. Restrictive agreements

In 2020, the GVH adopted decisions as part of proceedings initiated due to the alleged infringement of the provisions of the Competition Act concerning **restrictive agreements** in a total of 4 cases:

- 1 case resulted in an infringement being established by the Competition Council and in a fine being imposed;
- 1 case was closed upon a commitment being accepted;
- 1 case required a follow-up investigation to be performed in order to monitor whether the undertaking had complied with the obligations specified in the decision of the Authority;
- 1 case was closed by the case handler.

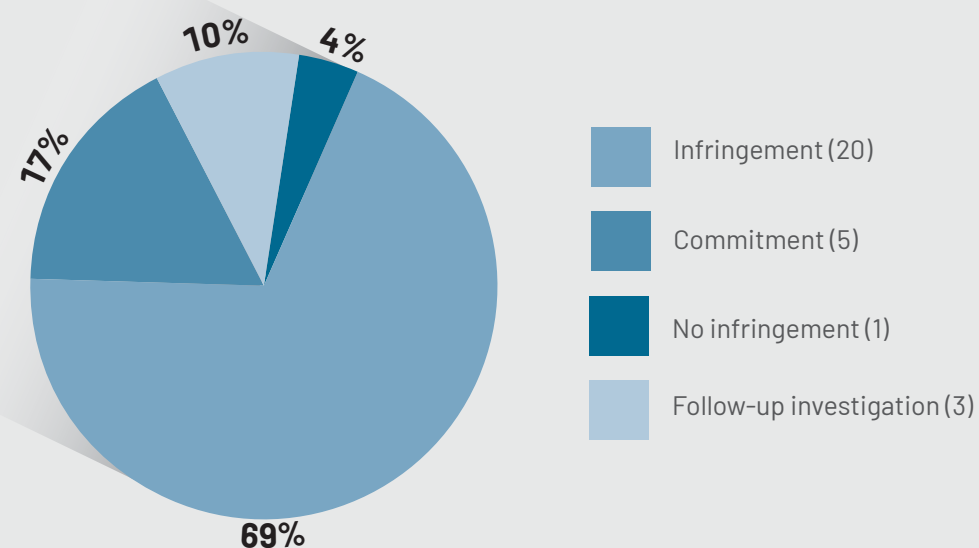
VI.3. Consumer protection cases

These cases pertained to areas such as online accommodation reservation, online shopping services, telecommunication, dietary supplements, commercial practices related to products and services advertised on social media, commercial practices concerning the use of a tipping system within the framework of an electronic payment service, commercial practices related to online dating services, commercial practices concerning the promotion of the services of a solarium franchise, commercial practices related to text and visual elements displayed on social media and on websites in connection with real property, 'Black Friday' campaigns and commercial practices related to claims about the water, dust and shock resistance of mobile telephones.

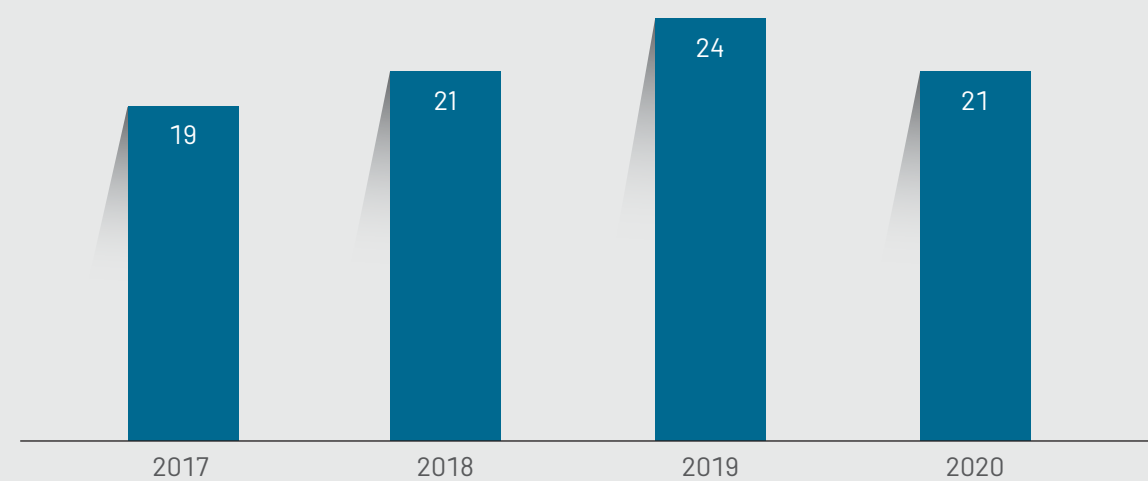
In 2020, the GVH concluded a total of 29 competition supervision proceedings related to **unfair commercial practices**:

- 20 cases, that is 69% of all cases, resulted in the fact of an infringement being established;
- 1 case, that is 4% of all cases, resulted in no infringing behaviour being found;
- 5 cases, that is 17% of all cases, involved the Competition Council accepting commitments;
- 3 cases, that is 10% of all cases, required follow-up investigations to be performed (out of which the proceedings were terminated by the Competition Council in 2 cases).

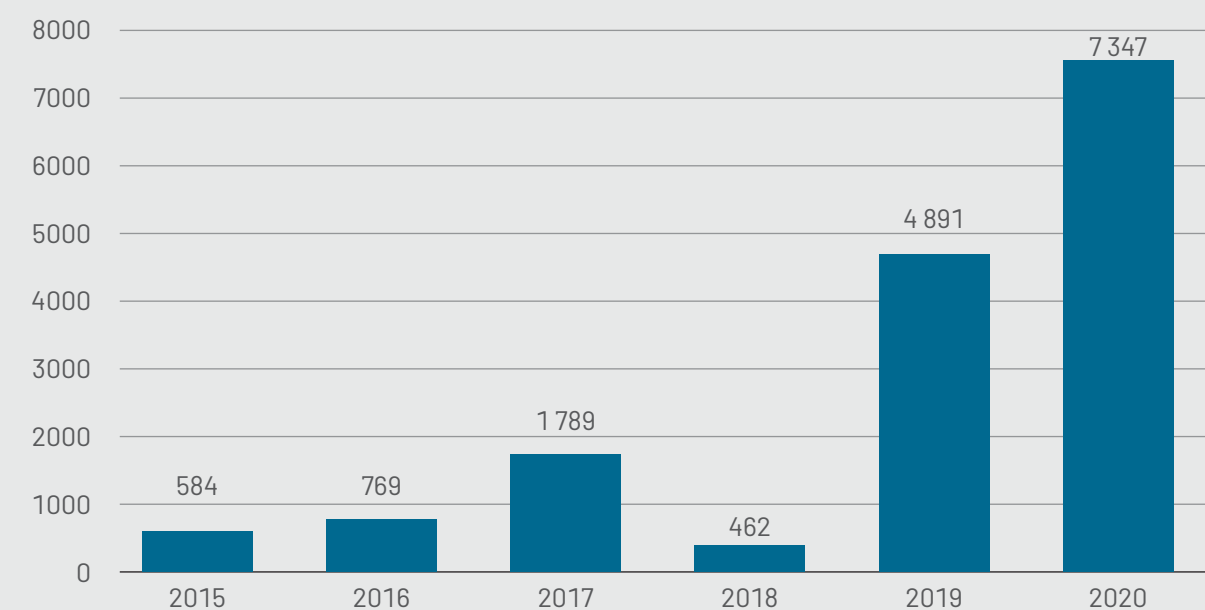
UNFAIR COMMERCIAL PRACTICES BROKEN DOWN BY CASES CLOSED IN 2020



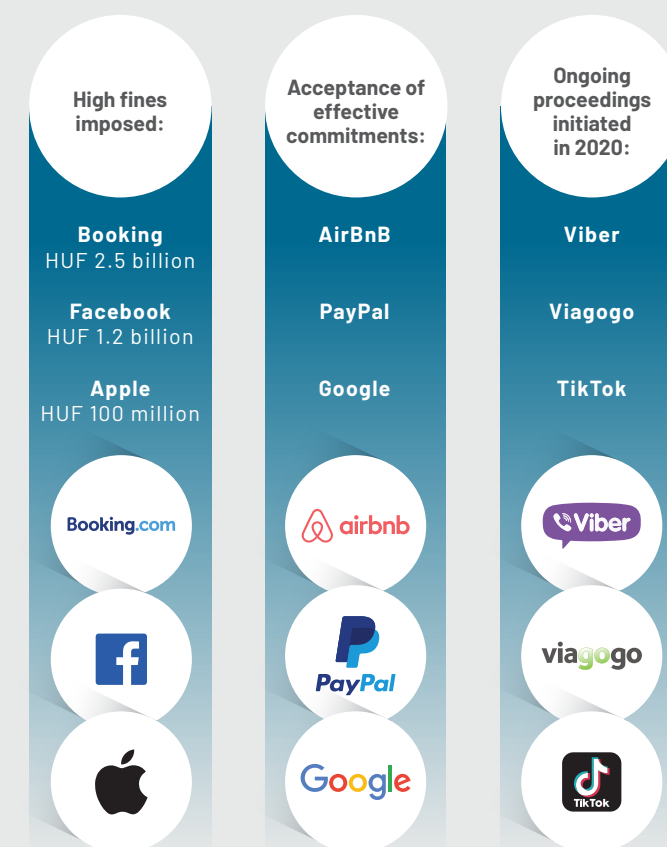
COMPETITION SUPERVISION PROCEEDINGS INITIATED BY THE CONSUMER PROTECTION SECTION BETWEEN 2017 AND 2020



COMPETITION SUPERVISION FINES IMPOSED AS PART OF CONSUMER PROTECTION CASES (HUF MILLION)



INVESTIGATIONS INTO THE PRACTICES OF GLOBAL SERVICE PROVIDERS



The GVH helps undertakings to advertise products lawfully

Green marketing – Advice for undertakings from the Hungarian Competition Authority

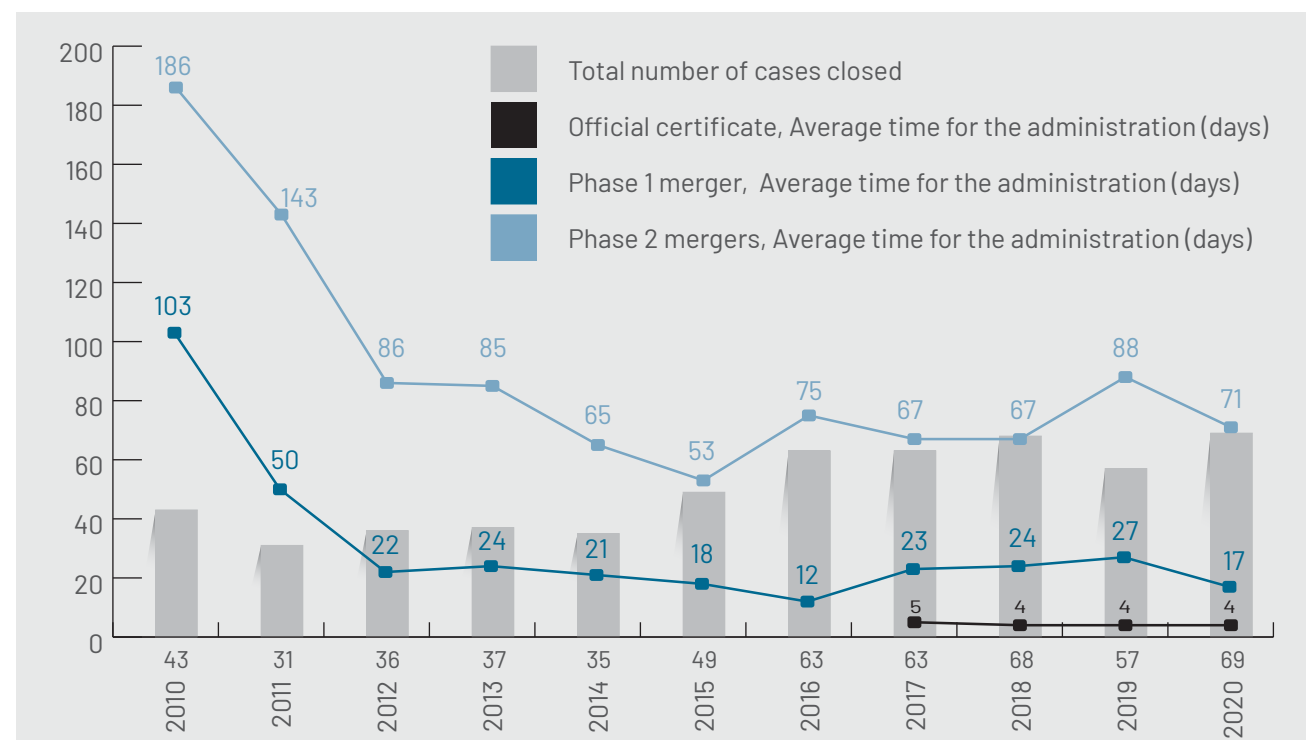
In 2020, the GVH published two **guidelines**²⁸ that aimed to provide undertakings with assistance about the criteria they should consider when designing and publishing their commercial communications in order to avoid committing an infringement.

In the notice published in February 2020, the Authority compiled a framework for **advertisements targeting children** and it published another notice on so-called **green marketing** practices at the end of 2020 due to the increasing use of environmental claims by undertakings. **The latter was the fourth example of a competition authority summarising the framework for compliance in this regard in Europe.**²⁹

VI.4. Merger control

All in all, the notification-based procedural system introduced in 2017 reduced the administrative and financial burden on market players, reducing the administrative time limit of easy-to-evaluate mergers to 4 days on average, and increasing the effectiveness of merger control. The GVH generally adopts its decisions within a shorter period than required by the applicable legislation. In 2020, the processing time for competition supervision proceedings was reduced further; 55 merger cases were closed within the 8-day processing time, within 4 days on average, of which 4 transactions were assessed within 1-2 business days within the framework of accelerated proceedings.

Similarly to previous years, the administrative time limit of easy-to-evaluate merger cases was 4 days on average in 2020. Within the framework of the simplified competition supervision proceedings initiated on the basis of merger notifications, the decisions of the GVH were adopted within 17 days on average, while full-scale proceedings were concluded after 71 days on average.



²⁸ https://gvh.hu/en/for_professional_users/guidance-documents/guidance-documents

²⁹ Following the recommendations of the French Minister in 2012, the Danish consumer protection ombudsman published its guideline in 2014. After this, the Dutch consumer protection and competition supervision authority issued a guideline in July last year, which aimed to increase awareness of environmental protection certificates and their reliability.

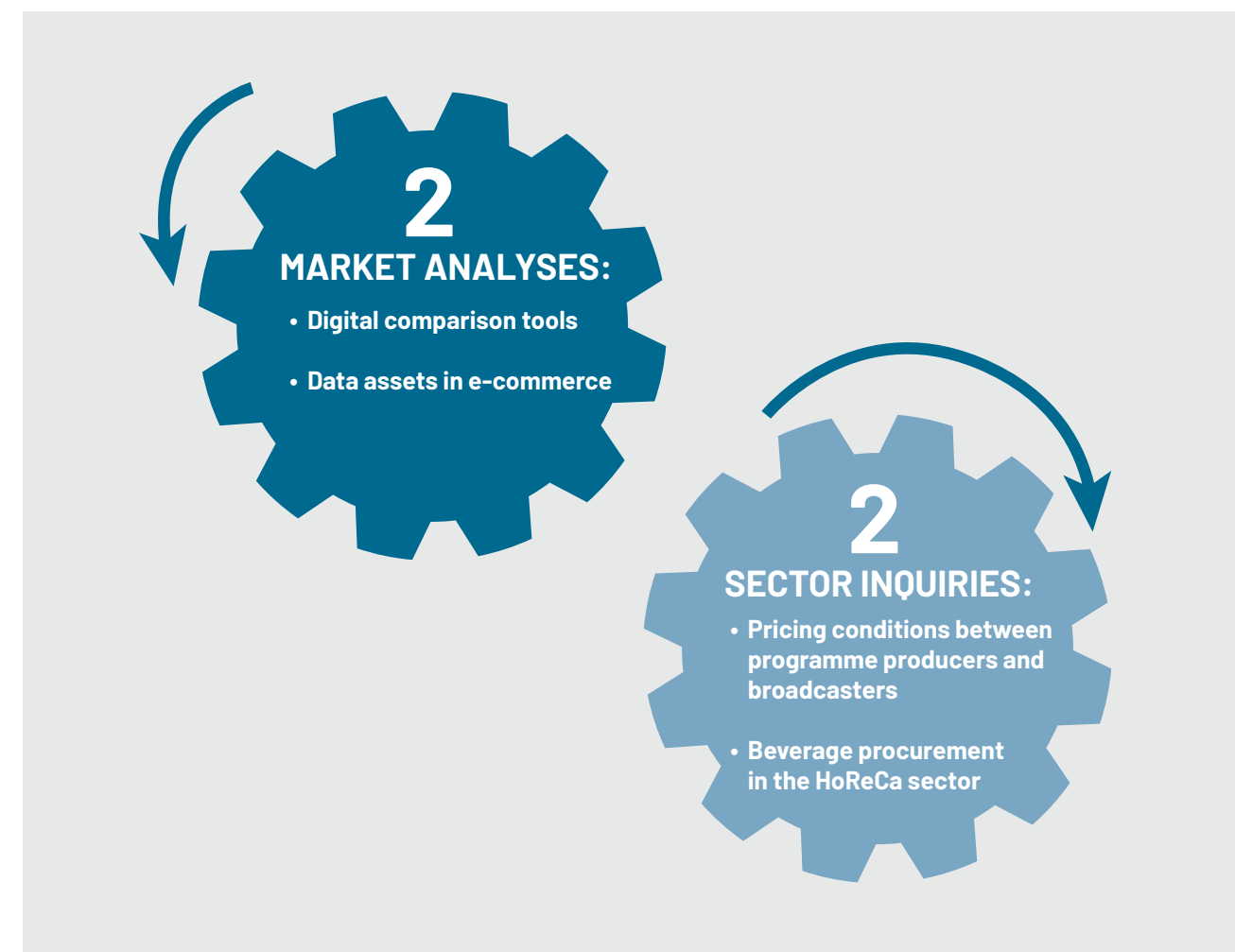
VI.5. Abuse of dominant position

In 2020, the GVH adopted decisions regarding the infringement of the provisions of the Hungarian Competition Act on abuses of dominant market position in a total of 4 cases, out of which follow-up investigations were performed in 2 cases, the competition authority of another Member State was contacted to enforce a decision in 1 case, and the Authority established the existence of an infringement without imposing a fine (but imposing obligations) in 1 case.

VI.6. Sector inquiries and market analyses

In addition to administrative and competition supervision activities related to individual cases, the Authority has the option to inquire about competition processes and market distortions within an entire sector. Sectoral inquiries and market analyses provide a framework for this general investigative process, during which the GVH can collect a variety of valuable information and market signals from the players active on the market being investigated.

In the last few years, the Authority has performed such inquiries on the market of bank card payment processing³⁰, the market of building societies³¹, the market of online accommodation reservation³², and the market of digital comparison tools³³. The GVH publishes the results of these inquiries in the form of public reports, thus making them accessible to both consumers and market players, increasing their awareness, while possibly also serving as points of reference for future administrative and competition advocacy activities.



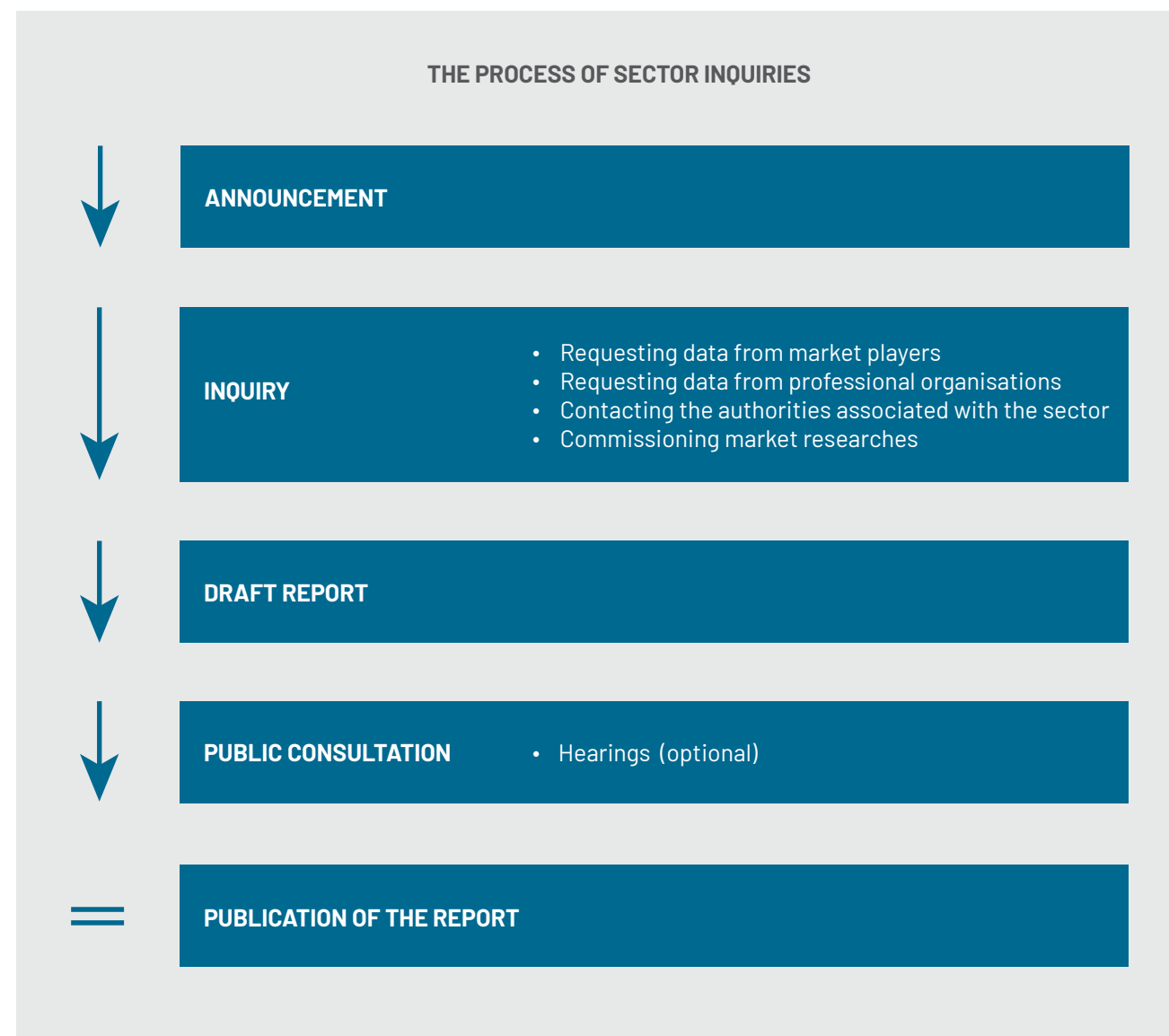
³⁰ https://www.gvh.hu/en/resolutions/sectoral_inquiries_market_analyses/sectoral_inquiries/bank-card-acceptance-market

³¹ https://www.gvh.hu/en/resolutions/sectoral_inquiries_market_analyses/sectoral_inquiries/building-society

³² https://www.gvh.hu/en/resolutions/sectoral_inquiries_market_analyses/sectoral_inquiries/final_report_on_the_sectoral_inquiry_into_the_hotel

³³ https://www.gvh.hu/en/resolutions/sectoral_inquiries_market_analyses/market_analyses/closure-of-the-market-analyses-on-the-effects-of-digital-comparison-tools-on-consumers-purchasing-decisions-

In 2020, the Authority initiated two sector inquiries: (i) one on the market of beverage product distribution to catering industry units, and (ii) one on the domestic market of programme production and broadcasting.



During last year, the Authority performed a market analysis on the digital markets, during which it assessed the scope of the data collected by online retailers about consumers, how they use such data and what competitive advantage these data assets represent.³⁴

³⁴ https://www.gvh.hu/en/resolutions/sectoral_inquiries_market_analyses/market_analyses/digital-markets--the-importance-of-data-in-e-commerce-antitrust-and-consumer-protection

VII. EX-ANTE IMPACT ASSESSMENT

Through its activity aimed at protecting the fairness of competition, the GVH creates financial benefits for consumers that which can be at least partially quantified. This is the purpose of the so-called ex-ante impact assessments. Since 2013, the GVH has been using conservative estimates to quantify the extent of the benefits gained in terms of increased consumer welfare as a direct result of **merger** cases that ended with an intervention and **cartel and dominant market position cases** that ended with an infringement being established (such as public procurement infringements), as well as the ratio of this figure to the budget of the Authority.

The applicable legislation does not require the GVH to quantify the financial benefits of its activity;

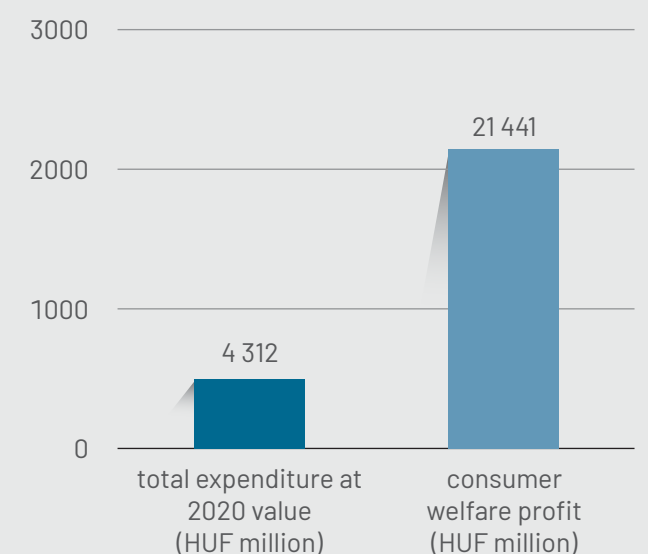
however, by doing so, it is following the best practices established by the world's leading competition authorities.

For this quantification process, the GVH implemented the framework developed and used by the leading foreign competition authorities, also relying on the relevant guideline of the OECD. Due to methodological constraints, the sum only takes into account certain activities of the GVH and only a portion of the effects of even these activities: it does not include the benefits achieved via consumer protection proceedings, the deterrent effects and other vaguely defined advantages such as the effect of competition on competitiveness. The actual benefit is likely to be multiple times higher than the figure calculated here. Therefore, the GVH set the revision of the calculation of social benefits as an objective for 2021.

The amount saved by consumers as a result of the operation of the GVH is almost five times higher than the total 2020 budget of the Authority.

The calculated benefit to consumers is HUF 21,441 million (at current value)(EUR 61 million, USD 70 million, using the 2020 annual average exchange rate of the Central Bank of Hungary).

THE RATIO OF THE WELFARE PROFIT OVER THE TOTAL EXPENDITURE OF THE GVH IN 2020



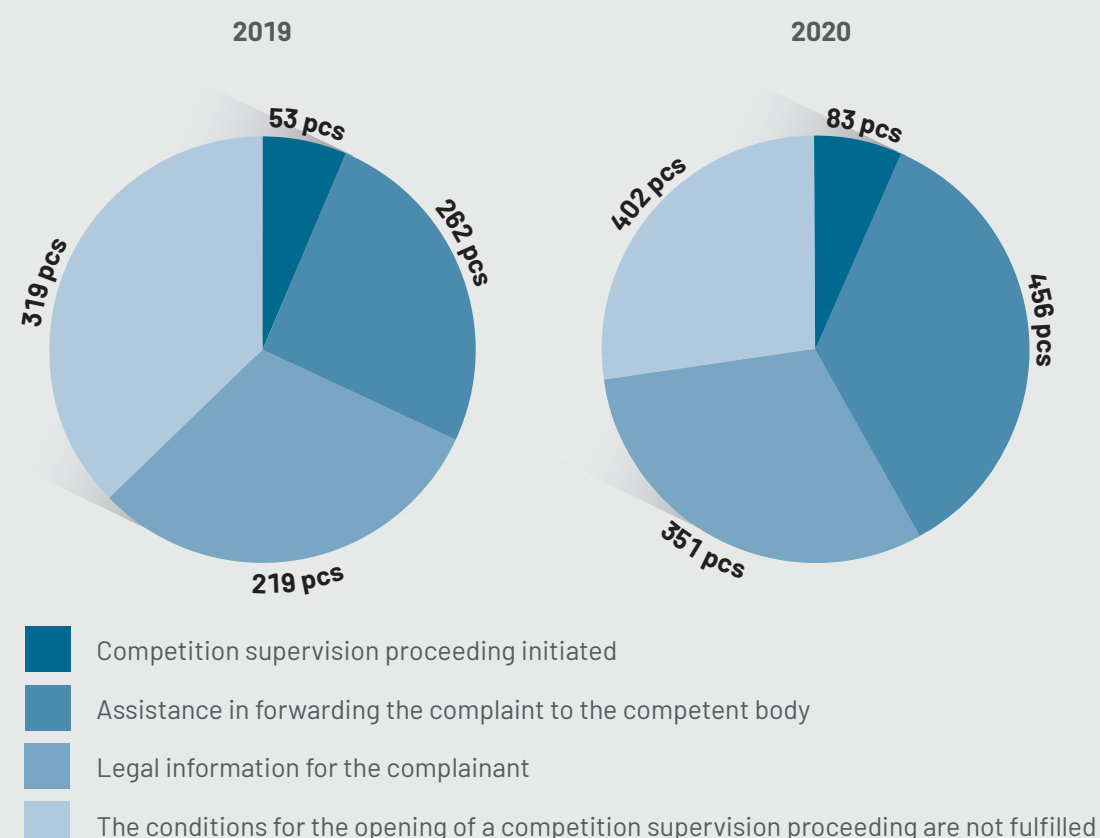
VIII. EXPERIENCES OF THE CUSTOMER RELATIONS SECTION

In 2020, the Customer Relations Section received formal and informal complaints in quantities never before seen. The Section was able – despite maintaining the same number of staff members, the applicable deadlines and compliance with professional standards – to refer more than every third complaint submitter to the authority that was competent to resolve its case. Furthermore, by providing general legal advice we were able to reduce the range of complaints in relation to which no meaningful measures could have been taken by 16%.

The GVH pays special attention to every consumer complaint

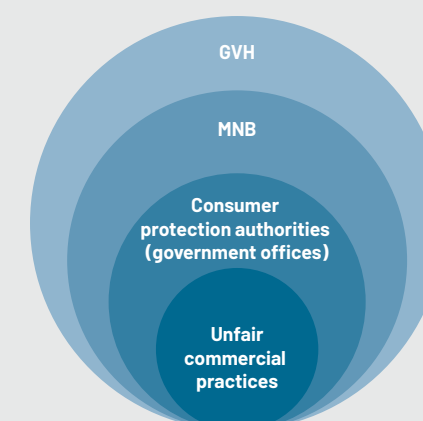
However, it was evident from the complaints received in 2020 that the majority of consumers are currently unaware of the exact scope of competence and authority of the various administrative bodies operating in Hungary; they often turn to the wrong authority or send their letters to multiple authorities when uncertain, which places an excess burden on the authorities – including the GVH – as they are required to perform the same tasks in parallel.

QUANTIFIED RESULT OF THE PROCEEDINGS CLOSED WITH RESPECT TO THE COMPLAINTS RECEIVED IN 2019 AND 2020



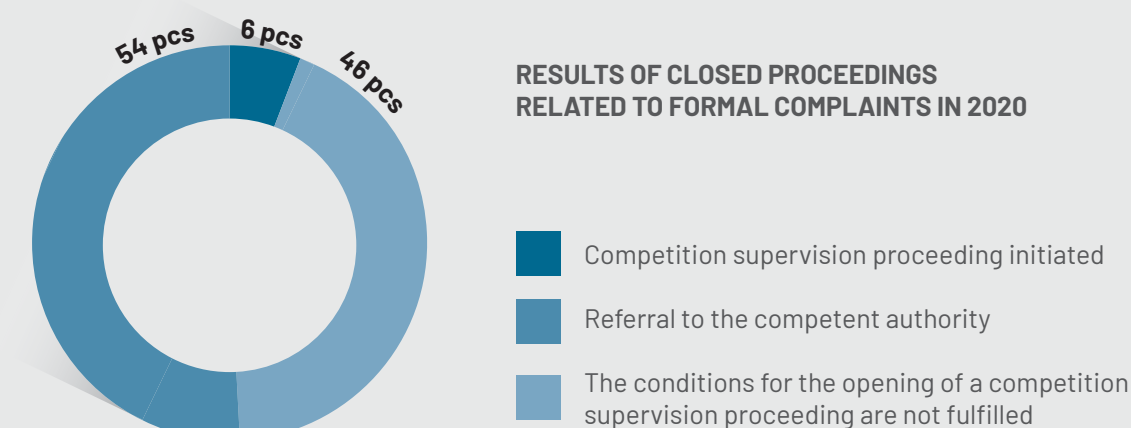
The ternary division of competence

When competition is substantially affected, the case falls under the scope of competence of the GVH; this refers to commercial communication practices, advertisements, consumer notices that are distributed via a national media provider, a regular paper with nationwide circulation or in a daily paper published in at least three counties and that are capable of distorting the consumer decision-making process.³⁵ As regards advertisements with a smaller scope of circulation or when consumers are misled exclusively by product packaging, the local consumer protection agency with jurisdiction over the registered office of the infringing undertaking should be contacted. The Central Bank of Hungary (MNB) oversees the illegal commercial practices of the financial institutions under its supervision.³⁶



In 2020, 5 competition supervision proceedings were initiated and closed (on the basis of 6 formal complaints received) by the GVH, which also means that from all competition supervision proceedings (30) initiated in 2020, not counting the mergers of undertakings, **every sixth notification by a citizen resulted in the initiation of a competition supervision proceeding**. Forty-three per cent (46) of complaints were forwarded to the public administrative authority that was able to take meaningful measures in the relevant case.

RESULTS OF CLOSED PROCEEDINGS RELATED TO FORMAL COMPLAINTS IN 2020



³⁵ See Article 10 of the Act XLVII of 2008 on the Prohibition of Unfair Business-to-Consumer Commercial Practices

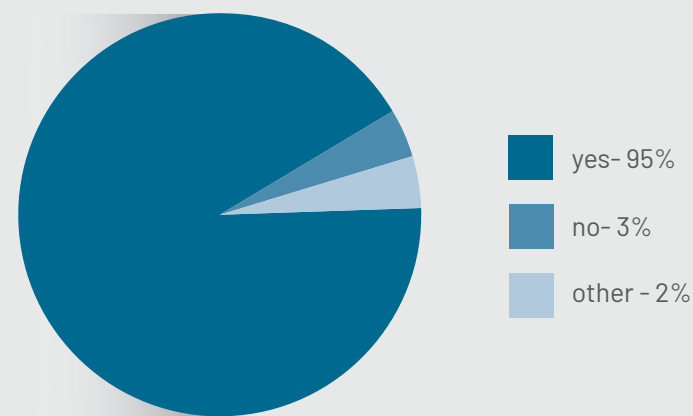
³⁶ <https://www.mnb.hu/en/supervision>

Recurring topics among the formal and informal complaints of citizens:

- face masks, hand sanitizers, medications for the treatment of coronavirus, travel services (handling of cancellations) related to the pandemic,
- laptops for at-home work and studying, troubleshooting by media service providers,
- e-commerce – communication of consumer rights, discounts (Black Friday),
- influencers, lack of indication of promotional content,
- suspicion of cartel/market restriction practices in relation to public procurement procedures.

In addition to formal and informal complaints, the Customer Relations Section handles telephone calls, the performance of which has been subject to a quality assurance process since 2014. Based on a survey performed in 2020, **95% of the people submitting complaints were fully satisfied with the professional preparedness of the administrators.**

DID YOU FIND THE EMPLOYEE OF THE GVH TO BE PROFESSIONALLY PREPARED TO SOLVE YOUR ISSUE?



IX. LAW ENFORCEMENT – PRESENTATION OF SIGNIFICANT CASES

IX.1. Prohibition of unfair commercial practices against consumers

Booking – Online accommodation reservation

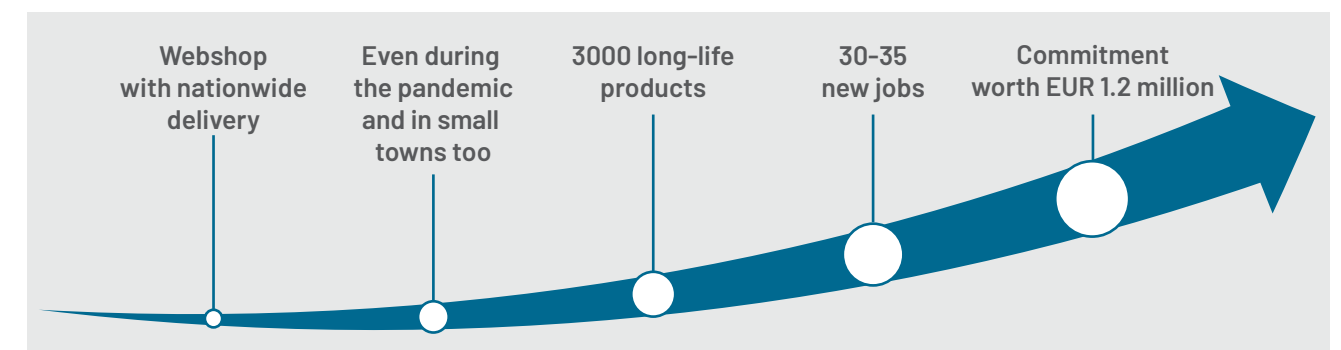
Within the framework of competition supervision proceeding No. VJ/17/2018, the GVH imposed a fine of HUF 2.5 billion (EUR 7.1 million) on Booking.com B.V., the operator of an online accommodation reservation portal booking.com due to its unfair commercial practices against consumers, while simultaneously prohibiting the continuation of the aggressive sales methods of the Dutch undertaking. Booking.com explicitly advertised the ability to 'cancel reservations for free' in the television and online advertisements of its booking service. However, consumers could in fact only use this option for a limited period in the case of several accommodation providers even though they paid a higher price than they would have paid for the same reservation without the 'free cancellation' option, meaning that the price of the free cancellation was incorporated into the fees of the given bookings by the undertaking.

Tesco – expansion of the home delivery service to the entire country

The GVH conducted a proceeding (No. VJ/65/2017) against Tesco-Global Áruházak Zrt. for its failure to make it clear that its website operated as an online shopping service and not as a webshop. The grocery chain failed to clarify the significant differences between the two and it did not assume liability for the delivery of the products it was offering.

During the proceeding, the GVH accepted a **voluntary commitment by Tesco worth HUF 407 million (EUR 1.2 million)** aimed at remedying the identified competition concern. The undertaking has undertaken to expand its service in a unique manner across Hungary, which is particularly useful for rural customers in the current pandemic situation. Based on its commitments, the supermarket chain will begin operating a true webshop (with a courier service) offering 3000 long-life products, gradually expanded to cover the entire country; it has also agreed to clarify its communication towards consumers.

Alza – 'Black Friday' campaign



Within the framework of competition supervision proceeding No. VJ/39/2018, the GVH established that Alza.hu Kft. (Alza) and Alza.cz a.s. were advertising their **'Black Friday' campaign** in a way that infringed the law and required the two undertakings subject to the proceeding to pay a competition supervision fine of HUF 862,000,000.

The GVH established that the undertakings engaged in unfair commercial practices against consumers when promising discounts of 'up to 80%' even though the especially high discount was only applicable to a negligible group of atypical products. The 80% or higher discounts only applied to a total of 10-20 products, which was far below the 10% threshold that has become the rule with respect to similar **'up to' statements** in the case law of the GVH (the total product portfolio included 80,000 products).

IX.2. Restrictive agreements

Restrictive agreement of an association of undertakings on the market of human resources consultants

This proceeding was conducted against the Hungarian Association of Human Resources Consultants, as well as 23 undertakings of national and foreign backgrounds. The Competition Council established that the code of ethics of the Association included several provisions over the course of a 7-year period (e.g., concerning the minimum fees and conditions applicable to labour hire and mediation services, the prohibition of members poaching employees from each other, rules for participating in public procurement procedures) that aimed to restrict competition between the members.

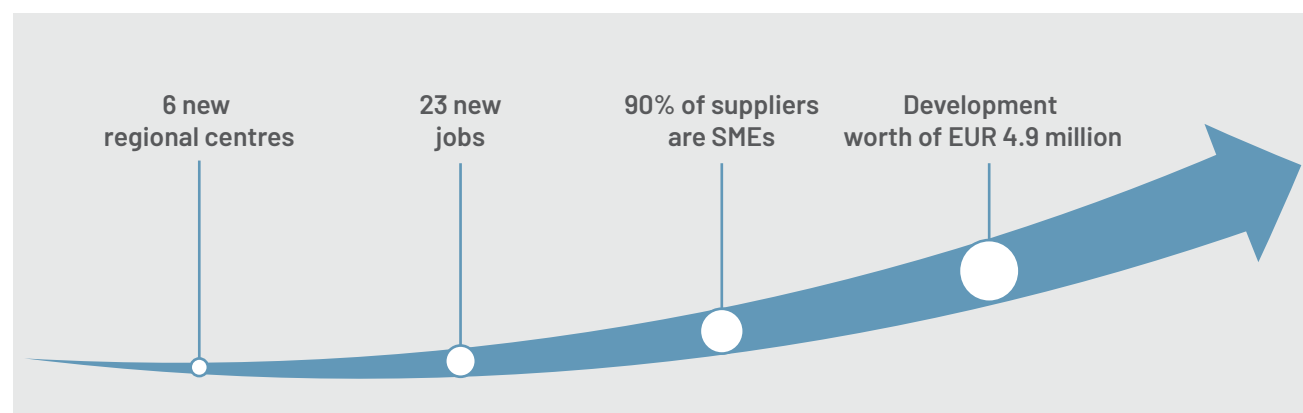
The GVH imposed a fine of HUF 1 billion (EUR 2.9 million) for the infringement. In order to impose fines uniformly based on the pain threshold of the undertakings, the Competition Council divided the large fine up among the undertakings concerned based on their financial position for the first time.

IX.3. Abuse of dominant market position and power

No. VJ/43/2016 – SPAR Magyarország Kft.

The GVH took action against SPAR Magyarország Kft. due to an infringement of the Trade Act. In this case, SPAR abused its dominant position by requiring **its suppliers to pay so-called progressive bonuses, thereby infringing the law.** (This was not the first time either since the GVH had already warned SPAR with respect to similar practices 8 years prior.) The practices used by SPAR placed an unjustified and unilateral burden on a significant portion (80%) of the suppliers that entered into an agreement requiring the payment of a progressive bonus.

In addition to establishing the fact of the infringement, the GVH – **instead of imposing a fine** – required SPAR to comply with **obligations that took into account the interests of the suppliers who suffered damages as a result of its practices.**



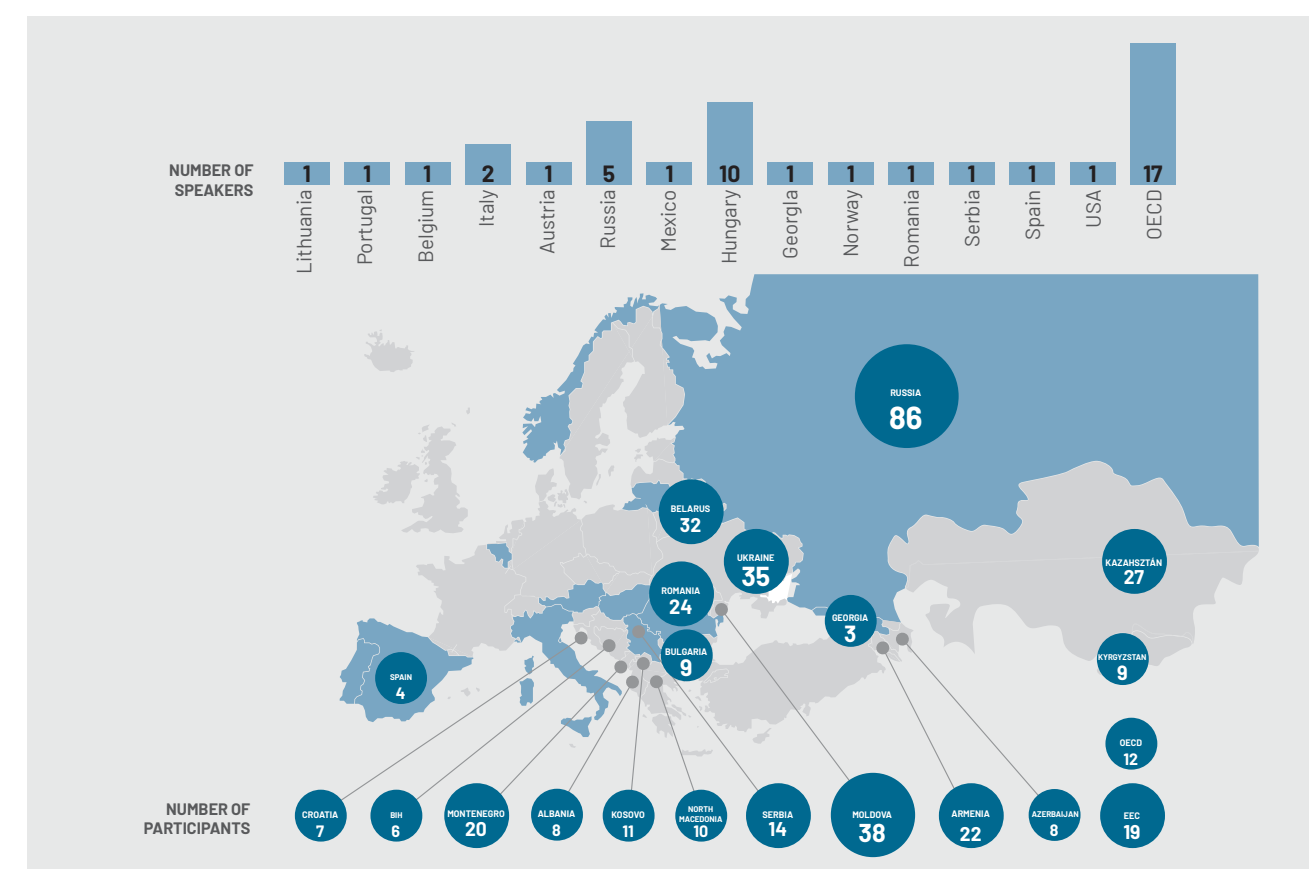
SPAR is required to establish 6 regional supply centres aimed at improving the opportunities of local domestic small producers, thus contributing to the development of the local economy and stimulating demand for local goods. For the implementation of the programme, SPAR calculated with **an audited budget of HUF 1.7 billion (EUR 4.9 million).** Ninety per cent of the opportunities created by this regional system will be offered to micro, small and medium-sized suppliers and the system will simultaneously increase the amount of goods procured from the existing small producer partners of the supermarket chain; last but not least, it will result in the creation of 23 jobs. The GVH expects that the decision will serve as guidance for other multinational retail chains as well.

X. ACTIVITIES OF THE OECD-GVH REGIONAL CENTRE FOR COMPETITION IN BUDAPEST IN 2020

The OECD-GVH Regional Centre for Competition in Budapest (RCC)³⁷ established in 2005 provides capacity development support in the field of competition law and competition policy primarily to the competition authorities of countries in Eastern, South-East, and Central Europe (some of which are not OECD members) by organising seminars and other professional programmes, building on the professional background of the Competition Department of the Organisation for Economic Co-operation and Development (OECD)³⁸ and the Hungarian Competition Authority (GVH).

Through the activities of the RCC, the GVH plays a leading role in the development of young market economies in the region. The operation of the OECD-GVH Regional Centre for Competition in Budapest significantly contributes to the international recognition of the competition law enforcement practices of Hungary. Those participating in the training programmes can learn about competition law and economic theories, the case law of the Directorate General for Competition of the European Commission³⁹, and the best practices used in the fields of competition law and competition policy at various professional events.

As part of its annual programme in 2020, it organised 5 competition-themed events, one in-person and four virtual seminars for the 18 primary beneficiary competition authorities, with a total of 404 participants and 46 speakers.



³⁷ <http://oecdgvh.hu/>

³⁸ <http://www.oecd.org/competition/>

³⁹ https://ec.europa.eu/competition/index_en.html

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SUMMARY OF THE ACTIVITIES
OF THE HUNGARIAN COMPETITION AUTHORITY IN 2020

