

Abstract of the articles

THE BUDAPEST APPROACH OF FINANCIAL RESTRUCTURING

ERIKA PAPP– MIKLÓS FEKETE–IVÁN GARA

The article proposes to apply in Hungary the best international practice in terms of corporate debt restructuring, i.e. the London Approach. The first part covers the history and the international impact of the London Approach. In the second part, it is recommended by the authors to work out a similar Code of Conduct for the Hungarian banking community. The Budapest Approach (the so called: Budapesti elvek) should be similarly a set of non-binding guidelines, which may be applied in consensus by lenders and their borrower in distressed corporate situations as an out-of-court procedure.

SECURITISATION ON THE MARKET OF STRUCTURED PRODUCTS: CERTIFICATES, EXCHANGE TRADED FUNDS AND THEIR TRACKING ERRORS

LÁSZLÓ JANKÓ–SZABOLCS TARI

We devoted our study to introduce two exchange-traded securitized structured products, known as ETFs and certificates. At first our study expends some time on present the detailed structure of several types of these products. The following part is about the main field of our study. In essence we try to point out the existence of a tracking imperfection, also known as „tracking error”. Finally, we take the opportunity to identify the tracking errors in both cases using various types of methods. Additionally we mention some factors, which could reason this tracking error. In brief we probably have the evidence on the basis of our calculations, which prove that on of the examined products continually has less tracking error, than the other one. All these can make it easier to understand how do these products work.

POSSIBLE CHANGES TO THE EUROPEAN PRUDENTIAL REGULATION OF BANKS

ZSUZSANNA KARDOSNÉ VADÁSZI

International and European regulators are to agree on the introduction of rigorous standards in the field of prudential regulation for credit institutions. The objective of the CRD IV consultation document recently issued by the European Commission is to strengthen the resilience of the banking sector against financial and economic shocks. The Commission proposal – if approved in its current form – that addresses the shortcomings of current prudential regulation will have significant effect on the capital situation of banks. The new requirements are to be applied by end 2012, but this implementation date is pending. In the paper I will give a detailed overview of the main components and the critics to the Commission’s proposal: the reform of the concept of own funds, the introduction of liquidity standards and leverage ratio, the strengthening of the counterparty credit risk management framework, and measures to address the procyclicality of capital requirements.

EMPIRICAL RESULTS IN GROUP LENDING – A SURVEY

NÓRA SZÜCS

This survey focuses on the main empirical results of group lending. According to the recent literature, groups are to be formed by group members without any participation of loan officers. Several authors reject the hypothesis of homogenous risk matching and argue for the risk heterogeneity of groups where heterogeneity can contribute to an intra-group insurance. Project choice, use of the loan partly for consumption or strategic default is the most common form of moral hazard. Ex ante and ex post moral hazard is decreased by social sanctions and punishment which has to be credible ex ante. Borrower monitoring can contribute to the decision which group member should be punished for his default. Finally I summarize the results why group loans still have their own target group and which part of the microcredit demand can be better satisfied by group loans than individual loans.

**THE TAXATION OF CROSS-BORDER MERGERS
AND THEIR EFFECTS ON THE VALUE OF INVESTMENTS**

BALÁZS CSOMÓS

There are many ways to achieve the desired structure in a restructuring process or an M&A transaction of companies, such as the acquisition of the company's shares, asset transfers, mergers and de-mergers. The tax impacts of the transaction have significant role in the evaluation of the possibilities of a company. Especially in case the seats of the companies are in different countries. In this study I present the current legislative rules concerning the cross-border mergers, the established structure after the transaction and its tax impacts. To examine the tax impacts of the new structure, I extend the Devereux and Griffith model, which was originally developed only for parent and subsidiaries structure. The extended model can also be applied to the case when the acquired company will continue to operate as a branch after the cross-border merger, since this is the most common post-merger structure in practice.

**LOCAL GOVERNMENTS AND COMMERCIAL BANKS
ON THE MONEY- AND CAPITAL MARKET**

ERZSÉBET GÁL

The researchers had been focusing on the financial risks of the local governments lately because of being in the prime of the local government's bonds issue. The indebtedness of local governments is stressed from the point of view of financial stability and macroeconomic, as well. Both the local governments and the creditors are responsible for developing of 775 billion amount of debt. It must be analysed both of the supply and the demand on the local governmental credit market in order to research the main reasons of the indebtedness. The increase of the moral hazard and other financial risks is the common responsibility of the banks and local governments. This study tries to identify the more important features between the local governments and commercial banks. These features can be helped to find the differences and the identities between the two participants of this study.