

Abstract of the articles

THE IMPACT OF THE SUBPRIME CRISIS ON THE BANKS BEING ACTIVE IN CENTRAL AND EASTERN EUROPE ISTVÁN GÁLL–ÁGNES LUBLÓY

The research measures the impact of the subprime crisis on the shareholders of the banks being active in Central and Eastern Europe. The analysis focuses on the ten largest banks of the region measured by the asset size. The authors address the question whether the crisis affected more significantly the large banks headquartered in Western Europe or the banks domiciled in Central and Eastern Europe. With the aim of capturing the short-term impact of various news on the shareholders of the banks, the popular event-study methodology with a one-day event window is employed. Within the period of 1 June 2007 and 31 December 2009, altogether 128 news were collected and grouped into five categories (downgrades, loss, capital strengthening, governmental rescue packages, interventions of the ECB). Among others, the authors found empirical evidence that the shareholders appreciated the interventions of the governments: their capital injections resulted in significant positive abnormal returns. Governmental rescue packages also resulted in significant abnormal returns in the share price, however, the sign of the returns was unambiguous. No empirical evidence was found that in the short run the news in connection with loss announcements, downgrades and ECB interventions resulted in significant abnormal returns. We concluded that although Western European banks and banks domiciled in Central and Eastern Europe differed in the number of news announced, the crisis affected the banks in both regions in a similar manner.

THE APPLICATION OF THE THEORY OF BELIEF FUNCTIONS IN THE AUDIT OF FINANCIAL STATEMENTS GERGELY MOHL

Audit risk is the risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated. This kind of risk indirectly appears in the financial statements of financial institutions, when the material misstatement is in the financed entity's statements that serve as a basis for lending decisions or when the decision is made based upon credit covenants calculated from misstated information. The risks of the audit process reflect the business risks of the auditee, so the assessment of risks, and further the planning and performance of the audit based on it is of key importance. The current study – connecting to No 4 2011 of *Hitelintézet* *Szemle* – also discusses the topic of risk and uncertainty, or to be more precise a practical implementation of the aforementioned: the application of belief functions in the field of external audit. All this without the aim of achieving completeness or textbook-like scrutiny in building up the theory. While the formalism is virtually unknown in Hungary, on the international scene empirical studies pointed out the possible advantages of the application of the method in contrast to risk assessments based on the traditional theory of probability. Accordingly, belief functions provide a better representation of auditors' perception of risk, as in contrast to the traditional model, belief functions deal with three rather than two states: the existence of supportive evidence, that of negative evidence and the lack of evidence.

RESPONSE MEASURES TO THE FINANCIAL CRISIS IN THE UNITED STATES

ANITA SZÉKELY

After several years of deregulation in the US financial markets, a new area started in 2010, with the enactment of the most comprehensive regulatory reform since the 1930's. The Dodd-Frank Wall Street Reform and Consumer Protection Act and the connecting new regulations were the responses to the 2008 financial meltdown. Congress addressed a wide variety of issues that were believed to have contributed to the financial crisis and created a new regulatory landscape. The aim of this paper is to provide a comprehensive overview of those current macro and micro prudential measures which fundamentally affect the banking industry in the United States. Furthermore, it introduces the ways how the main constituents of the shadow banking system have been brought under the supervisory umbrella and how these markets have become more transparent. The post crisis regulatory reforms which have transformed the supervisory architecture and affected the roles and responsibilities of the main supervisory agencies in the US, are also elaborated in the study. Finally the paper highlights two important areas of the US financial system which would require immediate reform.

CONCEPTUAL AND INTERPRETATIONAL CONFUSION ABOUT RISK MATRIX AND RISK MAP

ENDRE CSORDÁS

Risk matrices and risk maps became more frequent in recent times. Unfortunately they are often used as synonyms. Despite that both are used for evaluating or ranking risk along similar criteria they are different tools. Moreover there are several confusions about their concept and abilities. As they serve as management tools as well, such misunderstandings can lead to serious consequences. To clear up this situation in this article the tools in question are defined, their origin and evolution are shortly presented, their weaknesses are discussed and reasons of confusions are revealed. The article briefly shows the latest researches of eliminating imperfection of these tools as well, including the research of this article's author.

STATISTICAL PROPERTIES OF THE LIMIT ORDER BOOK

KATA VÁRADI

Most of the financial models assume that markets are efficient. As a result, numerous scientific researchers were focused on testing the efficient market hypothesis, and tried to prove, or deny it. However, all these attempts are still unsuccessful. During these researches, the analyses of the efficient market hypothesis were based on the price evolution of a certain asset, and through this the returns were examined. In the recent years the research interest has changed, and instead of analyzing the returns, a more primary factor got into focus, namely the limit order book. The reason is that on order driven markets the prices and the order sizes in the limit order book influence the price evolution on the market. Since a notable number of stock markets operate as an order driven market, the researchers thought that it worth analyzing the statistical properties of the limit order book, because maybe it will get us closer to the proof of the efficient market hypothesis. The purpose of this study is to summarize the statistical properties of the limit order book, based on the scientific works published so far. The study would like to highlight whether these studies contributed to the proof or disproof of the efficient market hypothesis.