Abstract of the articles

OPEN QUESTIONS OF PRUDENTIAL REGULATION OF CREDIT INSTITUTIONSAND INVESTMENT FIRMS

László Seregdi

The capital requirement regulation of credit institutions and investment firms has been significantly changed this year. The rules are defined partially in a directive (CRD IV) and in a regulation (CRR). The new rules authorize the European Banking Authority to develop new, legally binding technical standards, which will be issued by the European Commission. This document summarizes the proposals under development. The most relevant regulatory issues are own funds, liquidity, credit, market and operational risks, securitization and corporate governance. EBA and the Commission are also authorized to propose changes in the regulation. This is why CRD IV and CRR are not only to give a regulatory framework but also to set up a time schedule for future regulatory proposals.

RETURN PREDICTABILITY IN POST COMMUNIST ECONOMIES SINCE 1991

Mihály Ormos

We examine return predictability in the capital markets of the Central and Eastern European region as a test for weak-form market efficiency. The investigated period spans from the transition from communism to market economies until these days: from 1991 to 2011. The results of the applied unit root tests, runs tests and variance ratio tests show significant development in the efficiency of pricing as most of the anomalies are detected in the 1990s, since 2000 these capital markets show the same pattern in price development as the developed countries we have also incorporated in this research. Supposing international investors we also run all tests for the returns measured in US dollar terms instead of local currencies and found higher degree of unpredictability.

FACTORS INFLUENCING THE RETURNS OF HUNGARIAN EQUITY FUNDS

Gábor Bóta

We examine the factors influencing the returns of equity investments funds managed by Hungarian investment companies. As an equilibrium model we use the modified version of the Carhart (1997) four-factor model, with the CETOP20 Central Eastern European stock index as a market proxy. We classify the models according to their target markets (Hungary, Central and Eastern Europe and developed markets), and distinguish bullish and bearish market circumstances. No significant excess returns can be detected, although market betas are different in distinct market circumstances. We argue that when prices are falling fund managers tend to cut back their investments in equities and turn to bonds. By taking into consideration the investors' reactions measured by the number of shares purchased or redeemed we confirm the disposition effect.

CHALLENGES IN INTEGRATION OF SUSTAINABILITY INTO FINANCE

Mónika Kuti

The valuation methods in traditional corporate finance ignore social and environmental effects inherent in financing and investment decisions. Problems arise for finance providers from the perspective of these externalities which cannot or can hardly be quantified in financial terms. There are efforts to integrate environmental and social responsibility into corporate financial decisions at firm level, just as well as, into socially responsible investments, into the operations in sustainable banking or into venture capital at financial sector level. The study highlights that sustainability issues have gained significant share in financial sector, while measuring performance still remains a challenge.

OVERVIEW OF THE 21ST CENTURY BANK FINANCING OF HUNGARIAN SMES AND THE SEARCH FOR ESCAPE FROM THE DEBT TRAP

Tibor Krisztián Csubák–József Fejes

In this article we aimed to present and analyze the 21st century history of bank financing in the Hungarian small and medium enterprise (SME) sector in the period ranging from 2000 to 2012. The credit products offered by banks and credit unions are the most fundamental means of external financing capable of fulfilling the financing needs of a wide array of SMEs. The conditions of accessing credits (the relationship of credit value and required collateral, time administration needs of securing financing) and their prices exert a decisive influence on the profitability and business opportunities of SMEs.
When costs rise and the conditions for accessing credit become less favorable for SMEs, less credit transaction will be realized, which results in SMEs having to delay certain investments, as well as facing a decreasing or stagnating course of business due to lack of financing in their daily operations.