

# Abstract of the articles

## SOME QUESTIONS ON THE MANDATORY PENSION FUNDS IN HUNGARY

ÁGNES MATITS

After the first decade of their operations there is a lot of questions raised about the system of the Mandatory Pension Funds in Hungary. This paper discusses some of these questions.

The main message of the author is that any modification of the legislation should not ignore the last ten years.

According to this paper the main debateable problems of the system of mandatory pension funds in Hungary are as follow: Why the membership is mandatory? Why are members not allowed to switch between the mixed system and the pure social insurance system? Why the pension formula is almost independent from the effective measures of the contributions paid by the fund members? Why the necessary contributions of the fund members are not adjusted to a normative of fund performances? Why the competition between funds are limited? Why the transparency of the cost of operations is not guaranteed? Why the regulation of annuity services of private funds have been delayed so far? Whether are different institutions necessary to collect mandatory and voluntary contributions?

The purpose of raising these questions is to force any decisions on them.

## THE WAY TO CRISIS

ATTILA ÁCS

This writing is trying to explore the factors behind the newest global economic and liquidity crisis. As background have been used academic and investment banking studies too. This concept is representing the author's interest and opinion as business and theory participants' perceptions are many times similar, highlighting the importance and need of more intense dialogue between the academic and the business world.

The starting point of the article is the definition of excess liquidity and the entailing difficulty of measurement taking into consideration the level of liquidity is defined by market participants and not by central banks. The article mentions method used by ECB and that of *Adrian-Shin*, which latter suggests to take into consideration the consolidate balance sheet of banks and theirs collaterals. Afterwards the article is looking for the origin and the consequences of the excess liquidity examining what part did ECB and FED play in money creation and vetting the relative asset prices in a global context. Later it gets on the responsibility of

- a) the authorities who let the interest rates too low to spur business activity after the dot-com period, creating a business environment of cheap credit, and
- b) creative business participants who became far too greedy in chasing money contaminating the whole world with toxic assets amidst a booming lending activity.

In the conclusion is highlighted the importance of the follow up of the financial development and proper regulation, the cooperation between central banks, in a globalised financial world global monitoring is needed, as well the current remedy of financial easing gives fuel to the fire in the future.

**„BACK TO THE HEAP OF THE HORSE”  
A CRISIS-REQUIRED AMENDMENT OF PARADIGM  
(IN FINANCIAL REGULATION & SUPERVISION)**

LÁSZLÓ GYÖRGY ASZTALOS

The author with 30 years theoretical and practical work in financial regulation & supervision (R&S) explains a need for a quick and basic „Amendment of Paradigm” required by the contemporary great financial crisis. For clarification of core of our present problems he gives a broad overview about the „Original”, the „Classical” and the „Modern” Paradigms of R&S. He is supporting a „Post-Modern” (Amended) Paradigm and proposing a lot of practical techniques and methods as regular and bilateral „Main Products Analyse”, „Starting Management – SUPA Dialog”, „Supervisory (Administrative) Contract”, „Supervisory Warning” etc. as a partial realisation of the de Larosièrè’s, G20’s and Turner-proposals.

**SELECTIONAL BIAS AND ITS REDUCTION  
BY CREDIT SCORING MODELS**

BEATRIX ORAVECZ

Despite the wide application of credit scoring methods, the methodology still has aspects, which are not paid enough attention to. The question of representativity of the model building sample is a field like this. Scoring models are usually built on a non-representative sample, as in this case we have a total data base typically only at those customers, who have come through a credit-review process and have been accepted. The validity of the model will be questionable, as the distribution of accepted and rejected will probably differ as a result of the systematic judgment process, so the accepted do not represent all applicants, indicating the whole population.

This phenomenon is called reject bias, or more generally selectional bias. Reject inference may serve an answer for the dilemma. This is actually the estimation of how the rejected applicant would have behaved, if he had been granted the credit.

In this article we deal with methods, suitable for the reduction of selectional bias in case of credit scoring models.

**THE BASICS OF DYNAMIC TERM STRUCTURE MODELLING**

SZABOLCS KOPÁNYI

The article discusses the concept of dynamic yield curve estimation in a nutshell by introducing the two most widely used model families in the literature, affine and quadratic models to the reader. Affine models offer a nice point to start modeling, as their relative simple nature seems attractive against computationally intense quadratic models. This attraction comes at a price though, since there is a trade-off between flexibility in modeling rate volatilities and the correlation among risk factors. A noticeable innovation of quadratic models is that their quadratic functional form provides nonnegative rates per definition, and in absence of the „shackle” characterizing affine models they can fit to a richer structure of data.