



BUDAPEST
STOCK
EXCHANGE

IMPORTANCE OF CAPITAL MARKETS

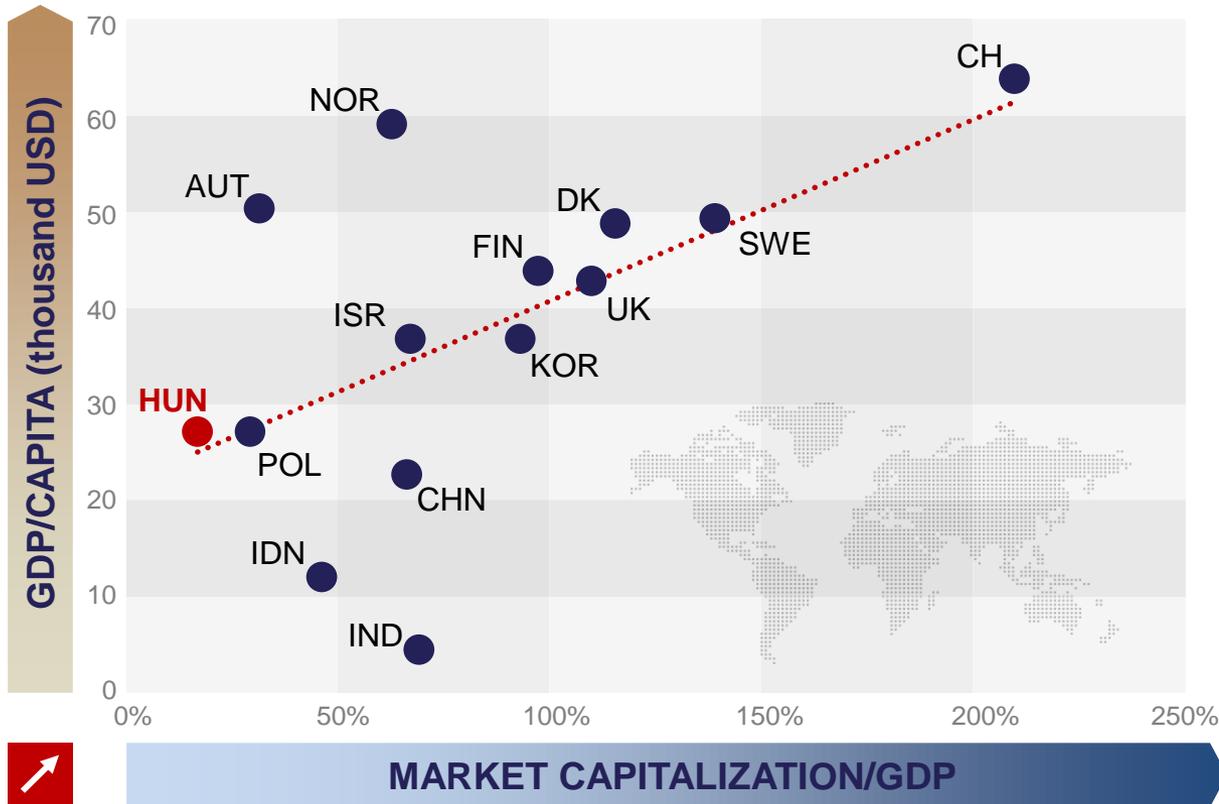
RICHÁRD VÉGH

CEO and Chairman
of Budapest Stock Exchange

IOSCO ANNUAL CONFERENCE

Budapest, May 10, 2018

SUCCESSFUL AND DEVELOPED COUNTRIES HAVE STRONG CAPITAL MARKET

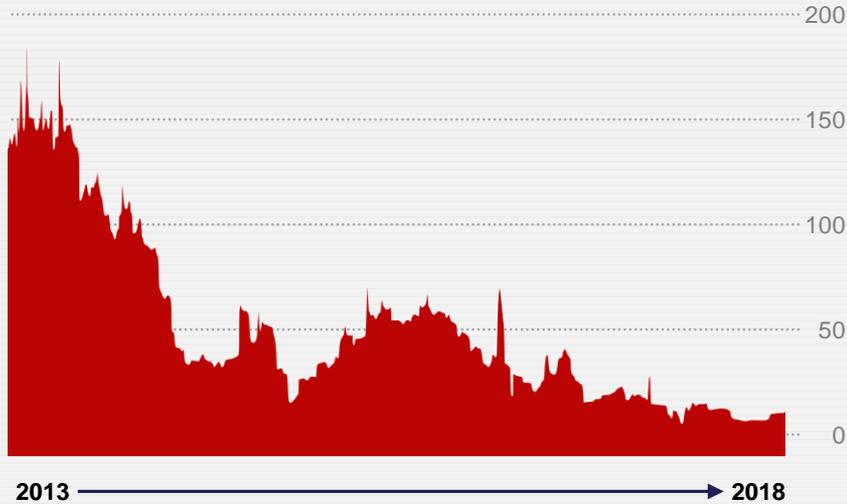


-  Reduces the cost of long-term funding.
-  Cost-effective way of transferring capital between industries.
-  Supports innovation.
-  A more stable and resilient monetary system.

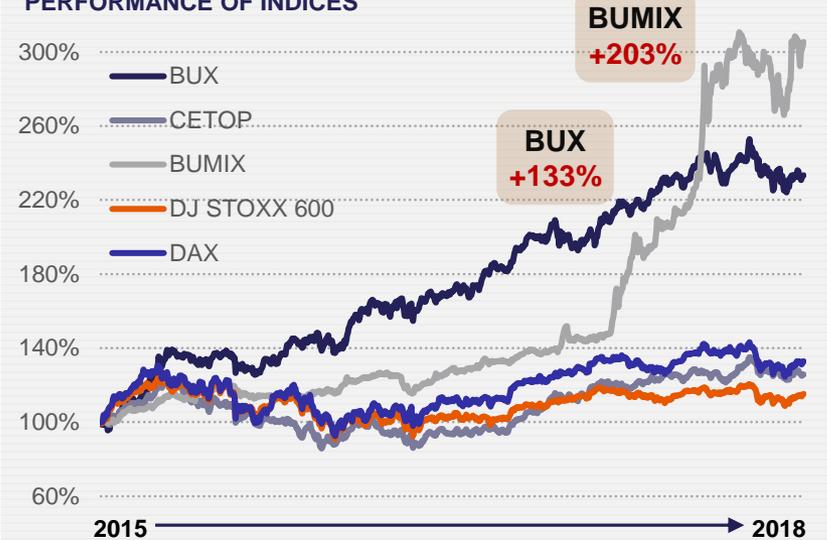
Source: OECD (2016), World Bank (2016)

STRONG AND IMPROVING ECONOMY

1 YEAR CDS CURVE



PERFORMANCE OF INDICES

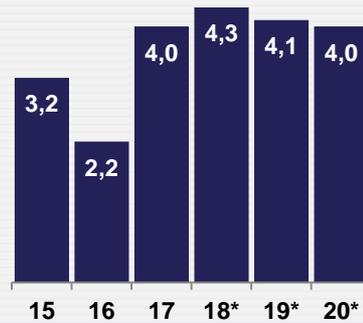


MAIN INDICATORS

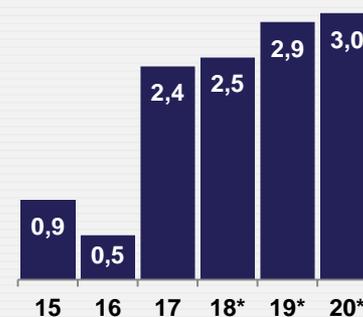
DEBT TO GDP (%)



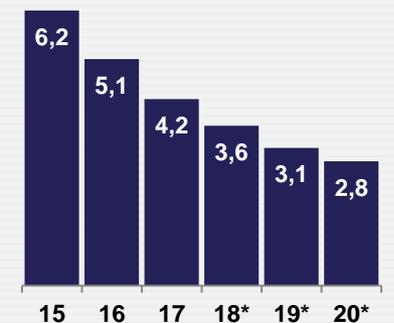
GDP GROWTH (%)



CPI (%)



UNEMPLOYMENT RATE (%)



*Forecast

Source: Bloomberg, MNB, AKK, MND

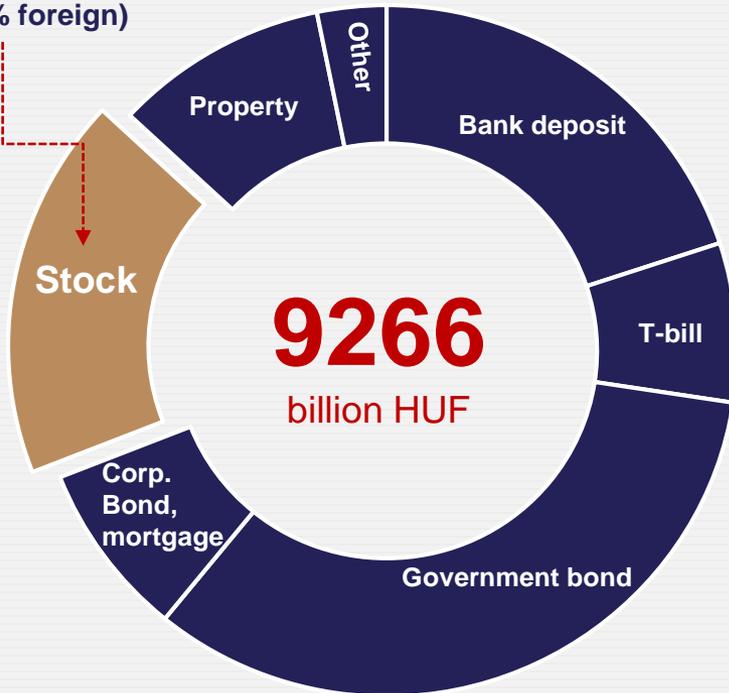
STRONG GROWTH IN HOUSEHOLD WEALTH – BUT CONSERVATIVE SAVING STRUCTURE

Institutional side

ASSETS IN HUNGARIAN MUTUAL FUNDS 2018 Q1



18% (4% domestic, 14% foreign)

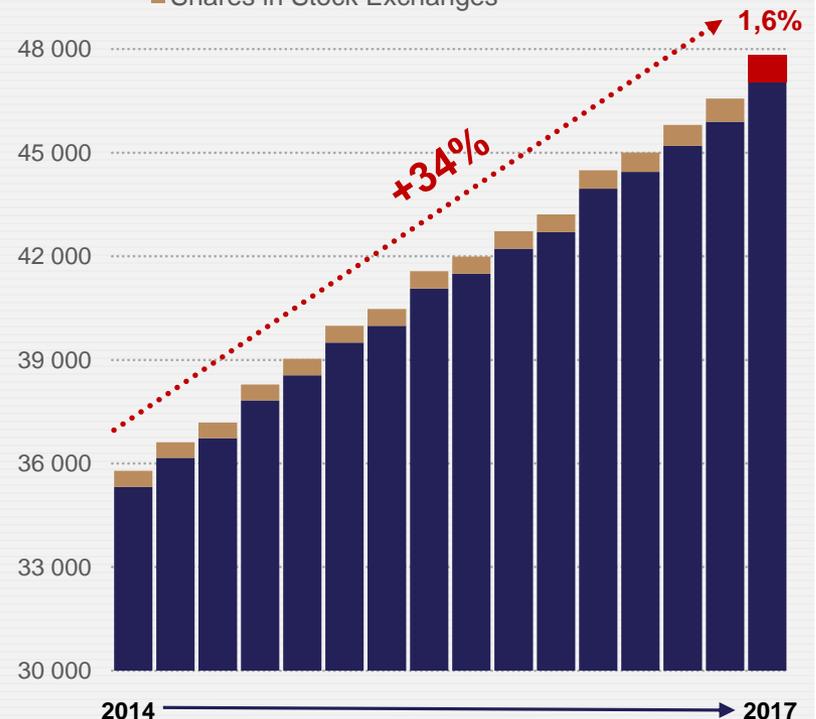


Retail side

BREAKDOWN OF HUNGARIAN HOUSEHOLD'S WEALTH (billion HUF)



■ Other investment
■ Shares in Stock Exchanges



CAPITAL MARKET UNION INITIATIVE – COMMON GOALS WITH BSE



The creation of a more homogeneous capital market across the EU to achieve better economic growth and shock resilience.

- Support capital market financing with special focus on SMEs.
- Foster retail investment (e.g. Private Pension).
- Facilitating cross-border investment.
- Strengthening the banking capacity (Securitization).
- Financing innovation (Pan European VC fund).
- Promote infrastructure investments.



Limited actual steps achieved but a strong foundation for future achievements.

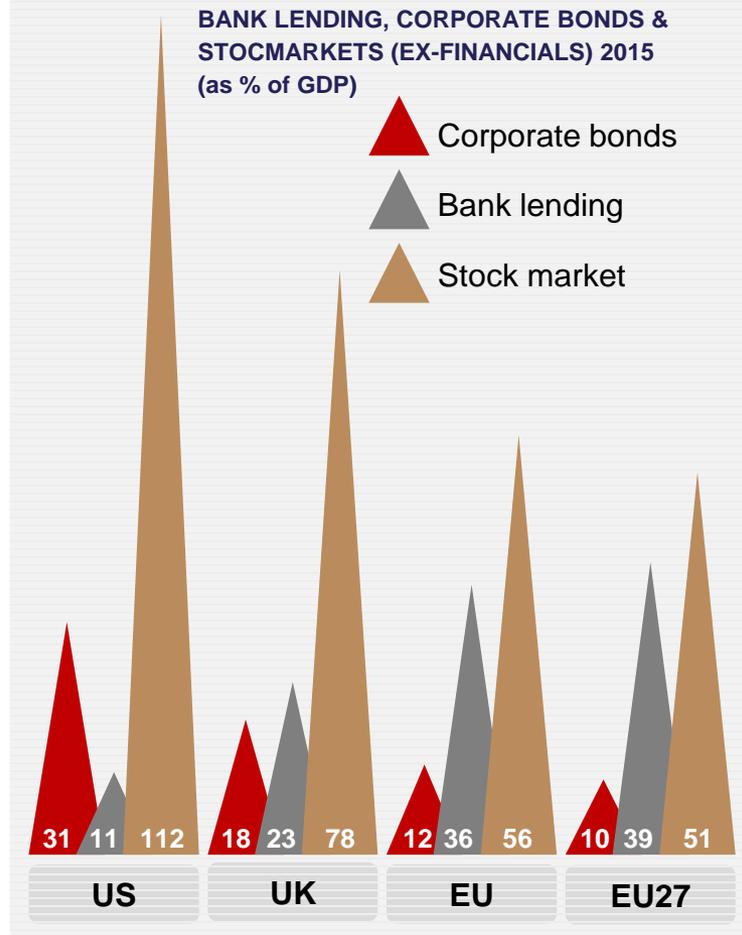


CMU 2.0 tailored goals based on past 2.5 years' experiences (e.g.: Supervision reform).

Bank lending vs corporate bonds & equity

BANK LENDING, CORPORATE BONDS & STOCKMARKETS (EX-FINANCIALS) 2015
(as % of GDP)

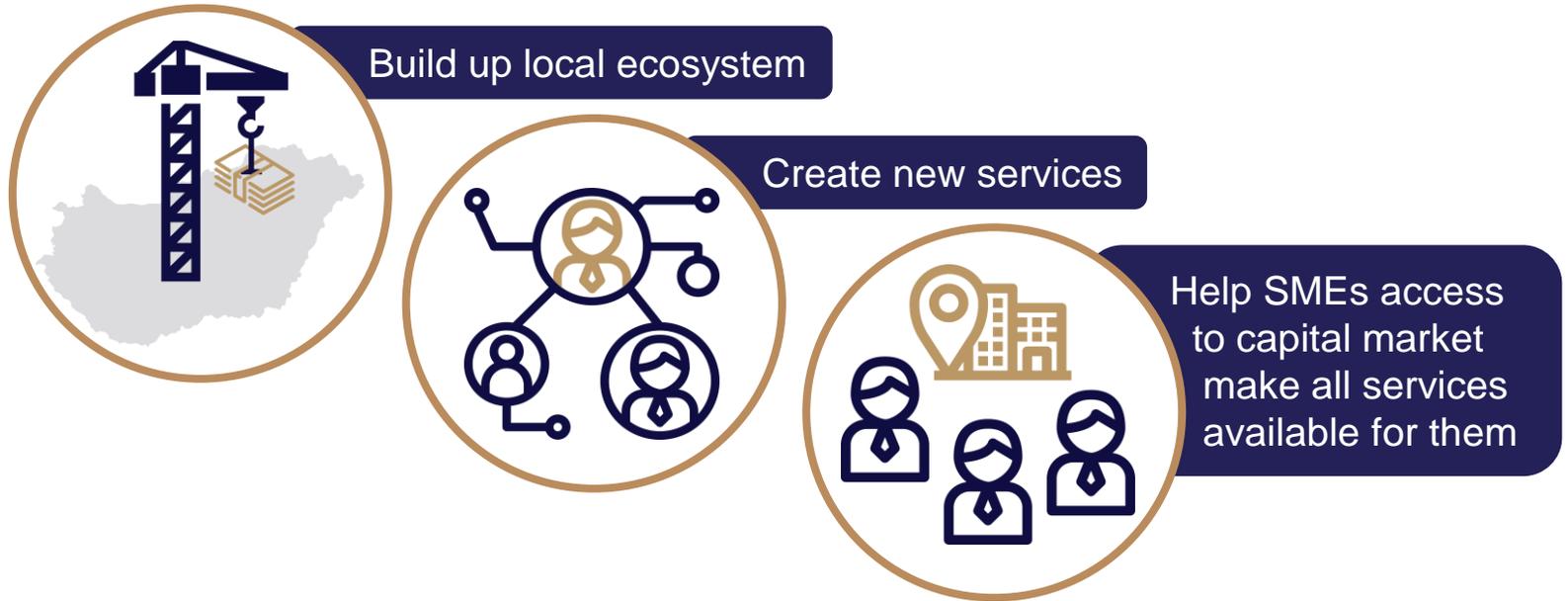
- ▲ Corporate bonds
- ▲ Bank lending
- ▲ Stock market



Source: ECB, Federal Reserve, FTSE Russell, IMF

NEW STRATEGIC GOAL OF BSE

BSE set up a
new 5 year strategy
in order to:



ACTIONS TAKEN

SUPPLY



1

Set up a new MTF platform for SMEs (Xtend).

2

Introducing REITS to the Hungarian market.

3

BSE market development program for companies with small- and medium capitalization started in 2018 – analysis and market making.

DEMAND

1

National Stock Exchange Development Fund.

Lunch a new mentoring program.

3

ELITE program – financial education for companies.

BET Akadémia – a series of lecture in the most interesting financial topics.

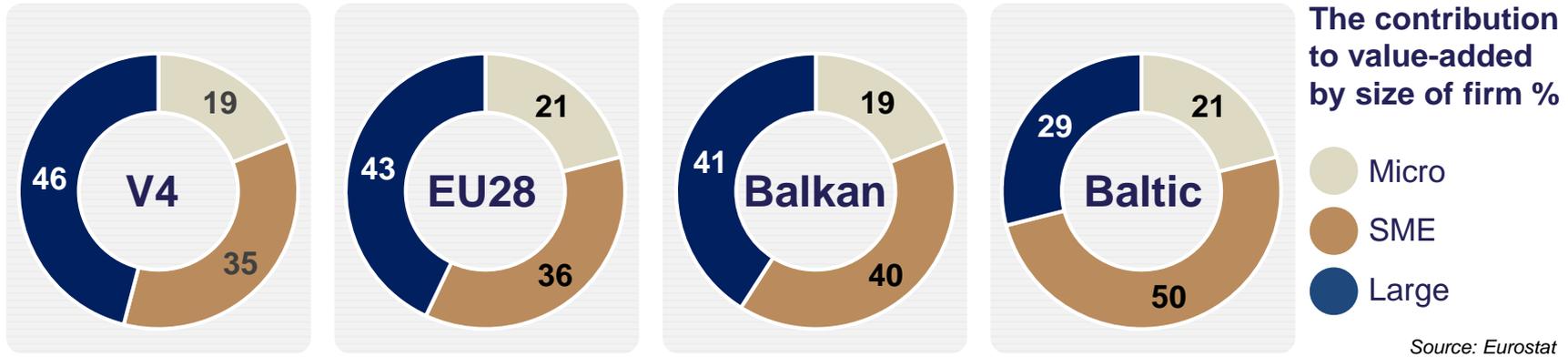
5

Establishing Budapest Institute of Banking (BIB) – multiple subject courses.



CMU – SUPPORTING LOCAL MARKETS BY CREATING SME FUNDS

The dominance of SMEs in the EU11 economy



CMU 2.0 identified the need for tailored approach towards smaller EU capital markets already such as in CEE e.g: Vienna initiative – Structural Reform Support Program.

Financing of SMEs is crucial all over the EU including Hungary.

Dedicated SME funds supported by policy and finance could add real value to the development of local markets by creating substantial demand.





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**Thank you for
your attention!**

RICHÁRD VÉGH
CEO and Chairman of BSE