

# Module II. Role of the Capital Markets



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School of Management

**György Mohai**  
**Meeting the Financing Needs**  
**14 September 2013**

# The lecturer

## György Mohai (PhD)

- **Until 1989 - academic background**
- **1989-1999 –CA-IB Investment Bank – Budapest, Vienna, London**
- **Budapest Stock Exchange 2002-2012, CEO 2008-2012**

# Outline of the course

## The main objectives are:

- provide better understanding of the financial and capital markets,
- its relations to the economy, corporate sector and households,
- analyze the dynamics of the capital markets and
- learn about the latest developments in regulation, markets, products and these overall implications.

# Student presentations - Topics

## **Six voluntary teams of 4 students**

Each team prepares a presentation and presents it in 30 minutes either on 12 October or on 14 December

Team 1, 2, 3: analysis (research) of a stock exchange listed company.  
Presentations on 12 October

The three listed companies: CIG Pannonia, E-Star, Masterplast

Team 4, 5, 6: forecast on selected topics (world economy, EU, Euro, etc.)  
for 2017-2020. Presentations on 14 December.

Topics to be reported on 12 October

# Company visits

26 November: **Budapest Stock Exchange**

host: Ms Beatrix Pittner Director of Trade

address: 1062 Andrássy út 93

28 November: **Hungarian Financial Services Authority** (HFSA, PSZAF)

host: Mr. László Balogh, Deputy Chairman

address: HFSA 1013 Krisztina körút 39

30 November: **Unicredit Bank**

host: Mr. Mihály Patai, Chairman-CEO, President of the Hungarian Banking Ass.

address: 1054 Szabadság tér 5-6

# Specific features of the capital market

- “Invisible market”, outstanding role of information
- Equal content, equally available information in the same time, Participants of fair and good standing
- Transparency
- Stock exchange: organized and regulated market
- Main purpose: meet capital demand and savings
- Tradable securities and commodities

# How to finance company growth?

- Internal sources of investment: profit after tax, additional capital contribution of owners
- Subsidies
- Bank finance
- Bond or equity from the capital markets: venture capital, private equity, stock markets
- Structured finance

# Macroeconomic importance of financial savings

- Financing the budget deficit: syndicated loan, issuing government debt (T-bonds, etc.)
- Consolidated position of the corporate sector, households, government and international position must be in balance.
- Self finance (self awareness) of the households relieves burdens of the state. Pension, health care, education.
- Consumption versus savings?
- Motivation: culture and taxes



# Financial capabilities of the households

- Bank selection
- Savings and/or borrowings?
- Financial and non-financial savings
- Investment decisions
- Risk profile (greed or fear?)
- Net worth
- Understanding new products
- Trading on the stock exchange?

# SMEs on BSE

- 31 of 54 listed companies are SMEs in terms of the official EU categorisation
- SMEs represent 2,4% of the total equity capitalisation
- SMEs generate less than 1% of the total equity turnover of BSE