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## Budapest Stock Exchange is once again in Hungarian hands

### As a controlling owner of the BSE the MNB anticipates a change in strategy

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On 20 November 2015 the Magyar Nemzeti Bank concluded a sales contract with the Austrian CEESEG AG and Österreichische Kontrollbank AG, the entities that to date held a 68.8 per cent ownership in the Budapest Stock Exchange (BSE). With this transaction the MNB obtains controlling ownership in the national stock exchange, which thereby once again becomes national property. In view of the fact that the sales transaction is subject to the approval of the Hungarian Competition Authority, the central bank expects the transaction to be closed in mid-December 2015.

The purchase price of the BSE is founded on the valuation performed by an independent, internationally acknowledged consulting firm. The purchase price of the stock exchange reflects, in addition to its future profitability, the value of the BSE's almost 47 per cent share in KELER group. The purchase price is HUF 3,550 per share, that is the central bank paid HUF 13.2 billion for the full package. The purchase price is lower than that mentioned in some of the expert flash estimates, also published in the press. As a result of the transaction the MNB's share in the BSE increases to 75.8 per cent. As regards the elaboration and implementation of the new market development strategy the MNB intends to cooperate with the present determinant co-owners, while it wishes to make a purchase offer to the large number of small shareholders.

The fundamental economic role of the Budapest Stock Exchange is to provide the domestic enterprises with an opportunity to raise capital. In recent years the domestic capital market has fulfilled this role as a member of CEESEG, the regional stock exchange alliance, to a lesser and lesser degree. At present the demand side of the stock exchange is dominated by non-resident institutions. The number of new issuances and turnover have fallen to such a degree that today the capital market no longer fulfils its role, thus intervention by the state became unavoidable, in accordance with the international trends.

During the last two years the MNB has successfully implemented a number of far-reaching programmes that remedied the temporary systemic disruptions of the corporate credit market. However, the companies' opportunities for financing should be supported not only by the credit market, but also by the capital market. The bank credit and capital markets should be strengthened in a mutually supplementary and supportive manner to ensure that savings in the economy are channelled toward investments to an increasing degree as efficiently as possible.

As the controlling owner of the BSE, the Magyar Nemzeti Bank plans to implement a variety of strategic innovations that serve the development of the national capital market and provide the domestic stock exchange issuers and investors with proper incentives. As a result of this strategy and the reform of the operation of the Budapest Stock Exchange, a financial system of sounder structure may be established in Hungary, which will serve economic growth more and more efficiently. Transactions on the BSE continue to take place through the XETRA trading platform.

*The Hungarian stock exchange started its operation in 1864 in Pest and pursued its activity until December 1944. It was reopened on 1 August 1946, on the same day when the forint was introduced, and then - after the nationalisation of the Hungarian industry - the stock exchange was dissolved on 25 May 1948. The stock exchange reopened its door on 21 June 1990, and then in 2004 the company went into majority foreign ownership. With the MNB's present acquisition of stake the stock exchange once again comes under*

12/1/2015

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**Magyar Nemzeti Bank**