

METHODOLOGICAL NOTES FOR THE TRADING DATA OF INVESTMENT PROVIDERS AND FOR TIME SERIES

CONTAINING PRUDENTIAL DATA OF INVESTMENT COMPANIES

1. DEFINITIONS

Branch: Hungarian branch of an investment company or credit institution registered abroad.

Residents: the persons and organizations as defined in section 5, subsection (1), point 30 of the Act CXX of 2001 regulating the Capital Market.

Non-residents: the persons and organizations as defined in section 5, subsection (1), point 31 of the Act CXX of 2001 regulating the Capital Market.

Capital adequacy Class -1: Investment firms under Article 1 (2) of the IFR [Regulation (EU) 2019/2033 of the European Parliament and of the Council]

Capital adequacy Class 2: Investment firms under Article 1 (1) of the IFR.

Capital adequacy Class 3: Investment firms under Article 1 (1) of the IFR which meet the conditions of Article 12 (1) of the IFR.

Own funds: in accordance with Article 9 (1) of the IFR. The own funds of an investment firm consist of the sum of its Tier 1 capital and Tier 2 capital.

Own funds requirement: in accordance with Article 11 (1), (2) of the IFR. The amount shall be the amount without application of Article 57 (3), (4) or (6) of the IFR. Regarding investment firms under Regulation (EU) 575/2013 [CRR]: own funds requirement = total risk exposure [in accordance with Article 92 (3) of the CRR]*0,08.

2. GENERAL NOTES

The published time series contain data on investment service providers – i.e. investment companies and credit institutions that provide investment services. The trading data of investment service providers are published monthly, whereas the time series that only comprise the aggregated prudential data of investment companies appear quarterly on the Statistics subpage of the MNB website, at the times fixed in advance in the publication calendar.

Analysis of these data needs to take into account that in recent years investment services have seen a significant structural concentration in the hands of credit institutions, a phenomenon which has been further highlighted by periodic portfolio transfers between investment companies and their parent banks.

The data in the time series are considered confidential at the individual level, which is the reason why the time series only include aggregated data originating from at least 3 data providers.

In some cases certain data may differ from those earlier published, owing to the fact that significant modifications were submitted by the data providers after the publication was closed.

The data are rounded up or down individually, therefore the sum of partial sums is not necessarily equal to the sum total of individual data.

Some data are not available for the entire time series due to changes in legislation or changes in reporting table structures.

3. DATA SOURCE AND CONTENT

3.1. Trading data of investment service providers

The time series of trading data are prepared based on the information regularly submitted by investment service providers in the supervisory capital market data reporting tables (Tables 35A and 35B).

The turnover data are self-reported by data providers in view of both purchase and sales transactions that are indicated at a totalled – but not netted – value.

In addition to aggregated data of investment service providers, these time series also include spot and derivative trading turnover data, which are specified by subsectors for credit institutions, investment companies and branches. The data are available in a monthly breakdown as well as in an accumulated format extending back to the beginning of year.

The data do not include forwarded orders as specified in point a) subsection (1) section 5 of Act CXXXVIII of 2007. (Therefore, the data do not include transactions in which an order placed by a client is not fulfilled by the investment service provider contacted, but is passed on to another investment service provider, which executes the order.) The data also exclude repo and loan transactions, because their actual content is different from that of 'normal' transactions.

The turnover data are indicated at transaction value, converted into Hungarian forints, at the exchange rate valid on the day of the transaction.

Because of changes in reporting table structures, as of January 2021, time series publications do not include the breakdown of proprietary trading data on OTC by resident and non-resident partners.

3.2. Prudential data of investment companies

The time series containing the data of investment companies show the number of entities and a data breakdown by own funds requirement categories, which has been applicable to the calculation of capital adequacy in accordance with the IFR as from December 2021.

The time series are derived from information included in regular supervisory balance sheets and income statements, whereas own funds data are submitted through the unified European data reports as required by the CRR and IFR.

All the data are self-reported by individual data-providers after due consideration of any necessary adjustments in their balance sheets and income statements during a given time period.

Reporting is required quarterly, but the data thus submitted remain unaudited and preliminary until the Q2 publication, when the time series are corrected with the audited data for the end of the preceding business year. As a result, the data previously qualified as preliminary are modified and the relevant columns are indicated as 'audited'. In the case of data providers whose business year does not coincide with the regular calendar year, their cumulative data (i.e. data relative to income) are published based on adjustment to the calendar year and following all necessary corrections, whereas their audited data appear as midyear corrections.

Some data (for instance some types of receivables or extraordinary profit) are not available for the entire time series due to changes in reporting table structures or changes in legislation.

Pursuant to the Regulation of the Parliament and the Council (EU) 2019/2033 (27 November 2019) on the prudential requirements for investment firms, the time series on capital adequacy of investment companies changed as from December 31 2021. Consequently, previously used reporting structures (featuring data on own funds, total risk exposure and capital adequacy) have been replaced and investment companies present on the Hungarian capital market, the majority of which pertain to IFR Class 2 and Class 3 companies in terms of capital adequacy, have been required to extend the range of necessary information beyond their own funds to own funds requirement and capital adequacy ratio.

For time periods prior to December 31 2021, data relative to own funds are included in the time series archives.

In accordance with the above-mentioned EU regulation, investment companies did not report their capital adequacy data for June 2021 and September 2021, so neither the archived nor the current time series contain data for these time periods.

A major characteristic of the business model of the majority of investment companies in Hungary is that proprietary trading is far from being typical, instead, companies predominantly act as intermediaries. For this reason, capital adequacy of domestic investment companies is said to be good across-the-board, however, important variations can be observed due to differences in company size and business model. To highlight these variations in capital adequacy values, capital adequacy time series not only include aggregated data, but also feature range charts that indicate the number of investment companies for each range.

National Bank of Hungary, Statistics Directorate, Supervisory Statistics Department