SIC ITUR AD ASTRA

VI

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Collection of papers on Hungarian and Croatian legal history 2022

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Máté Zsolt BAKOS: The history of the Hungarian stock market

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1. The foundation of the Hungarian stock exchange

In the second half of the 17th century, bills of exchange were already common in the western countries of Europe, yet in Hungary, this method of payment was nonexistent. In Austria, the first stock exchange opened in 1771, but it did not have any impact on the Hungarian economic environment, irrespectively of the common monarch and the common monetary system. The lack of capital in Hungary further delayed the establishment of the Hungarian stock exchange, a situation that could only be ameliorated by the introduction of bills of exchange and the formation of joint-stock companies.[1] As early as 1830, Count István Széchenyi proposed the introduction of securities in his work entitled Hitel (Credit). 'The Hungarian landowner is poorer than he ought to be in relation to his property', Széchenyi argues in the first sentence of the relevant chapter.[2] Act 15 of 1840 defines the concept of a bill of exchange in this way: *„A bill of exchange is a document by which the issuer binds himself under conditions more strict than those of public law, either to pay himself some specified sum of money at a certain place and time, or to have it paid by another."*[3]

The reform era brought radical changes for Hungary and, in addition to social and cultural achievements, the industry and the economy also received a new impetus. This impetus brought with it the successive establishment of joint-stock companies, the later pillars of the Hungarian stock exchange, such as the railways, the milling industry and financial institutions. Thus, the Pozsony (Bratislava)-Nagyszombat Railway

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[1] KORÁNYI G., Tamás – SZELES, Nóra: *Tőzsde születik [A stock exchange is born]*. Budapest, 2005, Budapesti Értéktőzsde, pp. 8–9.

[2] SZÉCHENYI, István: *Hitel [Credit]*. https://mek.oszk.hu/06100/06132/html/hitel0005.html [Access on Nov 11, 2022].

[3] Act 15 of 1840 – The introduction of the Law of Bills of Exchange.

LLC was founded in 1837, the Pesti Hengermalom (Pest Milling) LLC in 1839 and the Pesti Magyar Kereskedelmi Bank Rt. (Hungarian Commercial Bank of Pest LLC) in 1841.[4]

The agricultural nature of Hungary raised important questions during the reforms, and it became increasingly urgent to bring the centralised trade in grain within a framework and ensure the conditions that would make this possible. In the 1840s, the centre of the grain trade in Pest was a café. The importance of the café and the nature of its visitors is reflected in the name of the place, then known as the Exchange and Commerce Atrium Café (Börze és Kereskedői Pitvar Kávéház).[5] The revolution and the War of Independence of 1848-49 put an end to regular meetings. The renaissance of the grain trade was brought about by the state-initiated Pest Lloyd Association, which established the grain hall in the Lloyd Palace the following year. This association can be considered the forerunner of the commodity exchange.[6]

It was in the above mentioned grain hall that the country's grain merchants met, but the deals were not yet made in writing and the transactions occurred between themselves. The wholesalers felt the need to form a closer organisation and these enterprising individuals became the 'founding fathers' of what was to become the stock exchange. The events of the time, such as the Crimean War, the Russian Serf Liberation of 1861, the Second Italian War of Independence, the Second Schleswig War and the Austro-Prussian war, led to a surge in demand for grain, and the Hungarian grain merchants were in their heyday, with the new grain exchange in Pest becoming one of the most important associations and price-setting players in Europe at the time.[7]

In Austria, stock exchanges were established and operated as state-controlled bodies. The Viennese government wanted to introduce the same model in Hungary, where an imperial patent of 1860 provided for grain exchanges operating under state rules in the big cities of the empire. The Pest Chamber of Commerce and Industry was

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[4] KORÁNYI G. – SZELES, *op. cit.,* p. 9.

[5] MaNDA – Hungarian National Digital Archive, https://mandadb.hu/tetel/444920/Lloyd_Kavehaz_Budapest_1830as_evek [Access on Nov 11, 2022].

[6] KORÁNYI G. – SZELES, *op. cit.,* p. 10.

[7] *Ibid.*

also called upon to set up a stock exchange in the city, but this plan was not implemented. In 1863, the Pest Lloyd Society received a similar call, and in response, the Society submitted a draft that went beyond the original expectations, including the idea of a stock exchange in addition to the grain exchange. The preparatory committee for the stock exchange was headed by Frigyes Kochmeister, who later became the first chairman of the stock exchange. The imperial approval arrived quickly and the Pest Stock Exchange was established. Initially, the Grain Exchange and the Securities Exchange were separate organisations, but they were located at the same site and members of both exchanges could visit each other without further ado. So, after some tensions between the two exchanges had been overcome, the two institutions merged in 1873 to form the Pest Commodity and Securities Exchange.[8]

It is only possible for the stock exchange to fulfil its complex role because of its high degree of autonomy. In the period, two forms of stock exchange autonomy were known: in England and America, stock exchanges were set up by private bodies, while in continental Europe the state gave permission for the establishment of them. In terms of autonomy, the Hungarian stock exchange was closer to the English and American models than the other stock exchanges of the continent. The Budapest Stock Exchange (BSE) was a free association, with a high degree of freedom in its management, and its statutes were approved by the government.[9] A council was elected by the members to govern the institution. Initially, any man of impeccable character could be a stockbroker. In 1897, the admission to membership was tightened. The restrictions meant only those whose profession warranted it and who were recommended by three other members who had officially belonged to the stock exchange for at least three years could become members. The names of those so recommended and the details of their application were displayed for a week on a notice board in the Exchange's building, so that any members who opposed their admission could make a statement.

[8] *Ibid.*, pp. 10–13.

[9] HORVÁTH, Attila: A tőzsdebíróság intézményének megszervezése Magyarországon [The organisation of the stock exchange court in Hungary]. *Jogtörténeti Szemle [Legal History Review]*, 1992, No. 2.

The decision on the admission of members was then taken by the Exchange Council. However, even after admission, the proposers remained morally responsible for the actions of those proposed by them.[10]

2. The heyday of the stock market

In 1864, the first year of the stock exchange, 9 bills, 11 foreign currencies, 17 shares and 1 pledge were listed. The shares included securities of financial institutions, mills, insurance companies, the Chain Bridge, the Lloyd Building and the Balaton Steamship Company, among others. The list included almost all joint stock companies in Hungary at the time.[11]

Towards the end of the 19th century, there was a resurgence of investment, fuelled by the general investment drive of the time and the elevated public mood of the millennium. The worldwide demand for gold mine shares is illustrated by the fact that the Budapest list was published in Vienna, Frankfurt, London and Paris. Hungarian gold mining shares were sold worldwide, and of course gold mining companies were also formed in Hungary. There were even serious plans to set up an Anglo-South African-Hungarian bank. However, in the autumn of 1895, share prices began to fall. On 5 November, a wave of mass bankruptcies broke out on the Vienna stock exchange, affecting the Hungarian market. Although the Hungarian stock exchange was not so badly influenced, contemporaries were appalled by the 'collapse' of the Pesti Hungarian Commercial Bank, which actually was not a collapse at all, with the bank's share price falling from HUF 1348 to HUF 1260 in a week.[12]

The story of the broker Jakab Tauber is worth mentioning. On his boss's orders, he rushed to the post office in the Buda castle every evening, because the telegrams

[10] BARNA, Attila – HORVÁTH, Attila – MÁTHÉ, Gábor – TÓTH, Zoltán József: *Magyar Állam-és Jogtörténet [History of Hungarian state and law]*. Budapest, 2014, Nemzeti Közszolgálati Egyetem Közigazgatás-tudományi Kar, p. 502.
[11] KORÁNYI G. – SZELES, *op. cit.,* p. 13.
[12] *Ibid.,* p. 15.

arrived there a few minutes earlier than at the post office in Pest. Tauber would read the closing papers of the Vienna stock exchanges and then, from the promenade above the tunnel, he would signal Pest with a coloured flag or sheet, or, in poor visibility, with coloured lanterns. His colleague watched the events with binoculars in front of the then stock exchange building on what is now Eötvös Square, and then dashed in to make a deal on the basis of the information he had received. As there were only a few high-turnover shares on the market at the time, the simplicity of the communication method was not a problem. Anyway, the BSE building was equipped with telegraphs and later with telephone lines.[13]

The Hungarian stock exchange was at the height of its power and influence during the millennium. In 1891 the decision was made to build a new stock exchange palace. It happened between 1902 and 1905 on the site of the barrack-like building from the time of Joseph II, in an eclectic Art Nouveau transitional style, designed by Ignác Alpár, the architect behind many iconic buildings of Budapest. The new palace constructed at a cost of 4.5 million crowns, was Europe's largest stock exchange building, measuring 2,640 square meters. Its grandiose dimensions were a result of the rivalry between Vienna and Budapest, which was typical of the period. The traders of the stock exchange built this majestic palace at their own expense in order to make Budapest a trading centre of European importance and scale.[14]

Around the turn of the century, 310 securities were traded on the stock exchange, and before World War I, some 500. Grain trading was also steadily increasing, with one and a half million tonnes of grain traded on the exchange before World War I, making BSE the leading grain exchange in Europe. The number of members was also steadily increasing, from 332 at the beginning to 1,809 in 1913.[15]

[13] *Ibid.*
[14] *Ibid.*, pp. 46–49.; BÁN, Dávid: *Úgy maradt… A tévészékházként ismert Tőzsdepalota története [It stayed that way… The story of the Exchange Palace, known as the TV Headquarters]*. 16 Aug 2020, https://epiteszforum.hu/ugy-maradt--a-teveszekhazkent-ismert-tozsdepalota-tortenete [Access on Nov 11, 2022].
[15] KORÁNYI G. – SZELES, *op. cit.,* p. 17.

The stock exchange was welcomed by the public. Volume 13 of the Hungarian Universal Encyclopaedia puts it this way: *„[...] Both commodity and stock exchanges promote industry and commerce, although they also provide opportunities for harmful gambles and speculations like games of chance. Commodity exchanges exist in many places in our empire, especially in Budapest and Temesvár. [...]"*[16]

Needless to say, there were strict rules on stock exchange trading from the very beginning. This is how a stockbroker of the time, Pál Tárai recalled the daily life of the stock exchange: *„I had my own capital, admittedly a small amount, at that time I could have had 30,000-40,000 crowns... At that time, I was already going to the stock exchange as a dispatcher and stockbroker, and I was adored by old gentlemen for information, because they saw that I was a competent man. They tried to approach me with various offers, which I refused to accept. I was never willing to do a dishonest deal..."*[17] The following activities were strictly forbidden:

1. the cunning manipulation of exchange rates, the conclusion of fictitious transactions;

2. the charging of prices which did not exist and could not be justified at the time of the execution of the order and at the expense of the party placing the order;

3. the use of business conditions contrary to the integrity of the trader;

4. engaging in speculation in a manner unbefitting an honest trader;

5. entering into speculative stock exchange transactions with persons who are not independent and in a vulnerable economic situation.[18]

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[16] *Egyetemes Magyar Encyclopaedia 13. Só-Zwingli [Universal Hungarian Encyclopaedia 13. Salt - Zwingli]*. Budapest, 1876, p. 16.

[17] KÖVÉR, György: *Biográfia és társadalomtörténet [Biography and Social History]*. Budapest, 2014, Osiris, p. 329.

[18] BARNA – HORVÁTH – MÁTHÉ – TÓTH, *op. cit.,* pp. 502–503.

Those who broke the rules could expect a reprimand from the Exchange Council and a ban from the exchange. The Stock Exchange operated as an institution with a high degree of autonomy, over which the Hungarian government's control and supervision consisted only of the fact that the Exchange's statutes and customs had to be submitted for approval, and the deliberations of the freely elected Exchange Council were held under the supervision of a government commissioner delegated by the Ministry of Commerce. The Hungarian stock exchange was different from the other overseas exchanges of continental Europe, being closer to the English and American institutions. The decisions of the court composed of the members of the Exchange Council were also taken in the presence of the Government Commissioner but the Government Commissioner was only present as an observer and had no influence on the outcome of the case. The autonomy of the exchange was significantly increased and the security of transactions was enhanced by the existence of the Exchange Court. This court settled cases before it orally, informally and very quickly. Its members were professional traders who had not only expertise but also the trust of other members of the exchange.[19]

3. The stock market between the two World Wars

The day before the outbreak of World War I, the Austrian government ordered the closure of the Vienna Stock Exchange, a move the Hungarian government had to follow. The closure of the stock exchange was supposed to last only three days, but it was extended until the end of the war. This was the case in all the belligerent countries except the United States. The BSE had set up a war hospital in the stock exchange hall, but non-military brokers continued to trade in the commodities hall, and trading was semi-officially acknowledged by the government.

In March 1916, 'controlled private trading' was allowed, but this only covered cash transactions. Future transactions in securities were described as harmful and

[19] *Ibid*.

speculative, so, on these grounds, strictly prohibited. The turnover of government securities was further restricted, with only 12 trusted agents allowed to trade with them. By the end of the war, inflation, which was already at a massive rate, caused share prices to rise at a similar rate. The upsurge in turnover is illustrated by the fact that in 1918, 7.2 million shares were already changing hands in semi-official form.

During the Hungarian Soviet Republic, the stock exchange was closed and the exchange palace was confiscated. The invasion of the Romanian troops in August 1919 led to considerable losses for the companies listed on the stock exchange as well as for the assets of the BSE. Yet, the institution reopened at the end of October. The losses caused by the Peace Dictate of Trianon resulted in staggering inflation, which paradoxically pushed stock market turnover to unprecedented heights. With the depreciation of the korona, the middle class turned to equities and companies started issuing shares to satisfy the needs of "amateur investors". The companies already listed on the stock exchange increased their share capital every three months, and in 1922 hundreds of new companies applied for listing.

The end of the inflation was marked by the loan from the League of Nations of 250 million gold crowns taken out in 1924. In 1925, the new currency, the Pengő, was introduced. These measures led to the devaluation of many major companies. Price falls also shook investor confidence, and stock market turnover fell sharply.[20] The 1929 New York stock market crash was not felt as badly by the Hungarian stock market, which was in a period of stagnation, with only export-oriented companies seeing their share prices fall, and the Pengő initially strengthened against several currencies. Hungary was hit by the crisis only in its second year, resulting in bank failures and, again, the closure of the stock exchange. Following the closure of the German stock exchange the previous day and bank failures across Europe, the Hungarian government allowed banks to reopen only after suspending repayment of foreign currency loans. However, the stock exchange remained closed. The official reopening came only in

[20] KORÁNYI G. – SZELES, *op. cit.*, p. 20.

April 1932, first with the authorisation of trading in bonds and then in the 18 most traded shares. Of course, there was also unofficial trading during the closure. Shares were badly affected by the closure, losing roughly 13% of their previous value after the reopening, but by the end of 1932 they had lost more than 30% of their value. The resurgence only resumed with the recovery from the crisis and peaked in 1936, when the Hungarian government ordered nostrification to artificially separate the domestic and foreign bond markets. Nostrification meant the registration of bonds and shares also in circulation abroad. Nostrification made it impossible to attract cheap supply from abroad, causing the value of the securities listed to increase by about a third in a matter of weeks.[21]

In the years leading up to World War II, rates rose steadily on commodity exchanges, but fluctuated on stock exchanges. In 1937 a worldwide downturn in the stock market occurred, and the Budapest Stock Exchange, which had been thought to be shielded from foreign influences, was also affected. Again, there was a 30% fall followed by a rapid recovery, but a 1 billion pengő property tax announced in the Darányi government's Győr programme was imposed on joint stock companies, and the same fall occurred. The Jewish Laws affected many stock market members, first their incomes and later their lives were threatened. In 1944, hundreds of the members of the stock exchange were deported.

Hungary’s entry into the war on the German side brought an unprecedented rise in the stock market, with heavy industry and military stocks in particular rising by hundreds of percent, amid double-digit inflation. In 1944, the government interfered harshly with the stock exchange's autonomy, tightening its statutes and restricting transactions to certified brokers acting on behalf of trustees who were in contact with the public. It was up to the Stock Exchange Council, which had been completely

[21] *Ibid*., p. 21.

restructured by the Jewish laws, to appoint the authentic brokers and commission agents.[22]

Prime Ministerial Decree No 700/1942, which transformed the stock exchange, doubled the tax on securities transactions, prohibited private trading in shares and capped the daily price movement at 5 % and later at 1 %. However, the stock exchange remained open until December 1944 when the siege of Budapest began, though, after the German invasion, rates began to fall.[23]

4. The stock market after the war[24]

The Exchange Palace only suffered minor damage during the siege, and reopening was envisaged immediately after the siege. In April 1945, the remaining 700 members of the Exchange elected a new Exchange Council, including candidates from the Communist Party. The Commodity Exchange resumed operations, but the Allied Control Commission refused to allow the opening of the Stock Exchange. At the time, there was a high level of activity, partly in the damaged Exchange Palace and partly in the surrounding cafés. Gold was the best-selling commodity as it was the only currency that could hold value. The forint has restored the national currency's role as a measure of value, a medium of exchange and a safeguard of national wealth. Both the public and politicians had high hopes for its long-term, durable value. Unfortunately, the country's economic situation, tight investment plans and the need to meet international payment obligations dashed these hopes, and the currency started to depreciate almost as soon as it was introduced.[25] The official reopening of the stock exchange took place on 1 August 1946, after the partial restoration of the Exchange Palace, timed to coincide with the introduction of the new currency, the Forint. No

[22] *Ibid*., p. 24.
[23] *Ibid.*
[24] *Ibid.*, p. 25.
[25] BOTOS, János: *Banki értékpapírok Magyarországon [Bank securities in Hungary]*. Budapest, 2008, Szaktudás Kiadó Ház, p. 142.

payments were made on the bonds denominated in crowns and pengős, and because of the war losses, no dividends were paid by the joint-stock companies, so the prices fell steadily.

In fact, it came as no surprise to anyone that after the nationalisation of a large part of Hungarian industry, the stock exchange was also in the political spotlight. On 25 May 1948, the government officially dissolved the "stronghold of capitalist exploitation", its building on Liberty Square and all its assets became state property. The privately owned securities had to be handed over to the Hungarian National Bank and the Financial Institutions Centre under a decree that was soon to be issued, but not everyone complied. The old securities appeared on the shelves of antiquarian bookshops more than two decades later, during the Kádár era, when their possession was no longer politically sensitive. The government made payments to foreign bondholders but did not deal with the bonds that remained at home.[26]

5. Bonds and the Stock exchange during Socialism

In 1949 the so-called Plan Loan Bonds were issued, followed by the Peace Loan Bond in 1950. These securities, which were not freely tradable, were lottery bonds to be drawn over a 10-year period, and only compulsory subscription saved them from total failure. In 1968, after several years of preparation involving hundreds of economists, the first phase of the New Economic Mechanism came into force. The relaxation of centralised distribution gave hope to economic operators and boosted agriculture by allowing self-management and backyard farming. The importance of a strong currency is recognised, which will strengthen export-oriented economic policies. In addition, partial market management is introduced, which in reality leads to market substitution. The second phase of the reform is planned around banking and currency reform, and

[26] KORÁNYI G. – SZELES, *op. cit.*, p. 25.

accession to the IMF was also envisaged. However, the Soviet leadership vehemently opposed the move and it was eventually scrapped with the first phase.

In 1972, under pressure from the Soviet Union, an anti-reform policy emerged, the economic policy stagnated. The US government had just suspended the convertibility of gold into dollars, the Bretton Woods currency system collapsed and the price of oil exploded. The regime was artificially holding back foreign trade losses from rising commodity prices in order to maintain living standards. The losses were financed by foreign loans from the Hungarian National Bank, which lasted until May 1981 – this way new loans have to be taken out to repay the old ones.

In 1982, the debt trap and the lack of new foreign loans forced the Hungarian National Bank (HNB) to join the International Monetary Fund (IMF), a move that had earlier triggered Moscow's opposition to the New Economic Mechanism. The IMF opened up the possibility of new loans, but this was conditional on a restructuring of the economic structure. In the Eastern bloc, joint ventures were to appear for the first time, first with Hungarian majority ownership and then with increasing foreign ownership. In the same year, the first form of small business, the economic working community, was authorised in order to increase tax revenues.[27]

In order to create a domestic market for securities, the Economic Policy Committee of the Hungarian Socialist Workers' Party decided on 21 October 1982 to introduce the possibility of issuing bonds in Hungary. The Political Committee was informed of the decision on 9 November and it supported the implementation of the proposal. Under the decision, a government bond would be issued to finance the internal deficit of the state budget, which would function as a security and could be purchased by the public. In addition to government bonds, this type of security could be placed on the market by councils at various levels to achieve Community objectives,

[27] *Ibid*., pp. 54–55.

by financial institutions to raise funds and by entrepreneurs to finance their development.[28]

Legislative Decree No 28 of 1982 authorised the issue of bonds „*in order to make more efficient use of and supplement the revenue available in the national economy*", in fact in order to maintain internal financial equilibrium. It was implemented by Council of Ministers Decree No. 65/1982. The issue of corporate and government bonds, the forerunner of the new-age securities market, was initiated. Before the regulation came into force, some banking instruments known as bonds had already existed, issued by the monopoly retail bank OTP (National Savings Bank) under the name of Communal Bond. However, the project was not a success, with only HUF 32 million of the HUF 62 million issued being subscribed by the public.

The background to the authorisation of the bond market was the country's crumbling financial situation. Socialism had become unsustainable due to the economic crises of the 1970s, the state could no longer cover the economy from the redistribution of national production, and so it allowed prosperous companies to invest in bonds issued by companies with insufficient resources, thus keeping them afloat. In practice, therefore, state enterprises lent to state enterprises, with state guarantees, because a state enterprise could not go bankrupt. The funds raised in the bond issue could only be used for the purposes specified in the issuance plan of the company.[29]

The first bonds that could be purchased by the public appeared in 1984, and the main requirement for bond issuance until the 1990 Securities Act was one year of operation in addition to the preparation of an issuance plan, with all retail bonds being fully guaranteed by the state. The first bond issuers experimented with non-cash prizes or services rather than just cash interest payments for individuals. The Centrum department store used to raffle off a car every year to those who subscribed to its

[28] BOTOS, *op. cit.*, p. 157.
[29] KORÁNYI G. – SZELES: *op. cit.* p. 53.

bonds, and the Hungarian Post Office issued bonds promising telephone connections, a considerable luxury at the time.

The first real bond that anyone could buy, with interest only in cash, was the Pest County Industrial Goods Trading Company's bond, issued in March 1984. This bond was issued by the State Development Bank (Állami Fejlesztési Bank), which set up a separate bond office. The bond office soon became very popular with companies, and demand for bonds continued to grow. Initially, bankers issued new bonds on the basis of pre-war bonds on the stock exchange, prospectuses from antiquarian bookshops and archives, and the Act 37 of 1875 on Trade. Until 1988, a licence from the Ministry of Finance was required to issue bonds to the public. The predecessors of the municipalities, the then town and community councils, also issued bonds. It gradually became clear to all market participants that bonds could be traded. The prospectus for the bond issue stated that it was transferable, so the bonds had to be priced. Investors and bankers alike often priced the bonds, and those who could calculate well were encouraged to invest heavily.[30]

By 1986, the variety of bonds and their terms had increased. The Borsod Chemical Kombinat made the interest rate dependent on its own operating result, but this bond was not a great success because the company set a too narrow interest rate range. After 1988, new forms were tried, such as the convertible bond. The National Mechanization Enterprise issued such convertible bonds before it was even a joint stock company. The conversion was carried out but the company soon went bankrupt.

With the establishment of the two-tier banking system in January 1987, the market was also reorganised, with the HNB's bond portfolio being inherited by several banks. Secondary turnover on the bond market increased from HUF 2 billion in 1986 to HUF 10 billion, oversupply replaced excess demand and competition could have started, but the inflation that then emerged caused bonds to fail. For the first time in

[30] *Ibid.*, p. 56

40 years, the deterioration of currency was acknowledged, the population began to panic, wanting to turn their bonds into cash to buy durable consumer goods.[31]

6. The birth of the modern stock exchange

The sense of insecurity of the Hungarian population at the end of the eighties, the existential threat and at the same time the realised possibility of getting rich quickly through non-work, produced a mass of speculators and forced investors. Rather than trying to realise the part of their wealth and income that did not threaten their security, they risked everything because they believed that this was the only way out of their tight situation.[32]

In 1987 János Kádár resigned, and the bankrupt economy called for radical reforms.[33] Privatisation was still to come, but the private sector was on the increase, with more than 20 thousand economic working communities operating in the country by that time. A reform of the tax system was also underway, with the introduction of VAT in Act 5 of 1987 and personal income tax in Act 6 of 1987. The only way to remedy the economic asymmetry and the rapid deterioration of the currency was to develop the market in a coordinated way and to create an institution to facilitate the enforcement of market mechanisms.[34] On 25 July 1987, in the HVG weekly journal, almost all the banks and insurers made a joint statement in favour of coordinated development of the bond market. This coordinated effort soon bore fruit: the Securities Trading Agreement (STA) was signed by 22 banks, insurers, the Ministry of Finance and the Chamber of Commerce. The content of the STA reflected the institutional model envisaged, inspired by foreign experiences and literature. Two weeks after the

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[31] *Ibid*., pp. 58–59.

[32] HUNYADI, György – SZÉKELY, Mózes (szerk.): Gazdaságpszichológia [Economic psychology]. Budapest, 2003, Osiris, p. 438.

[33] GOSZTONYI, Gergely: A parlamentarizmus helyreállítása [Restoring parliamentarianism]. In: MEZEY, Barna – GOSZTONYI, Gergely (eds.): *Magyar alkotmánytörténet [Hungarian constitutional history]*. Budapest, 2020, Osiris Kiadó, pp. 507–511.

[34] KORÁNYI G. – SZELES, *op. cit*., p. 64.

signature of the STA, the Securities Trading Secretariat was established, with Ilona Hardy as its first chairwoman. The team she led organised the first Stock Exchange Day on 19 January 1988. The event, originally planned for once a month, but due to the massive curiosity of the masses, held three times a week, gave bankers and future brokers the chance to meet each other, but it was also attended by students and covered by television. The word 'stock exchange' was becoming a buzzword.[35]

The market was organised as a team effort. the Secretariat tried to get as many entrepreneurs together as possible. They started to publish the bond price index in the economic journal Ötlet (Idea), which was the arithmetic average of the net price of 16 bonds. At that time, however, there were still regulations in force prohibiting private individuals from buying shares in public limited companies.

Major reforms were already being planned in the ministries. The Company Act (Act 6 of 1988) and the Transformation Act (Act 13 of 1989), which allowed socialist enterprises to be transformed into companies, were passed. At that time there were already 170 joint stock companies in the country. In addition to these two laws, the creation of the stock exchange was facilitated by the Securities Act, which entered into force on 1 March 1990.

Hungary was the first of the former Eastern Bloc countries to establish a stock exchange, six months after the fall of the Berlin Wall. The news of the opening of the stock exchange was an international sensation. IBUSZ shares accounted for most of the 60 million forints traded on the first day, although of course they were not the only shares traded.[36]

[35] *Ibid*.
[36] *Ibid*., pp. 67–71.