



GAZDASÁGI
VERSENYHIVATAL

There was no broker cartel

There was no evidence underpinning the alleged cartel case, thus the Hungarian Competition Authority (GVH) closed the proceeding against the Hungarian broker firms by an order. As part of this case, the Budapest Stock Exchange (BÉT) offered some commitments, therefore the competition supervision proceeding against it was terminated by an order without the establishment of an infringement.

Based on the decision of the general manager of the BÉT, the contract size of some stock exchange products (futures) was reduced on 18 September 2006. According to the stock exchange, the aim of this step was to make stock futures trading available for a wider range of investors by reducing the contract size of the most popular products. This step had been initiated by BÉT Trading Committee functioning as the organ responsible for the representation of investment firms' (i.e. broker firms) interests.

The GVH initiated a proceeding since based on the data available, on 18 September after a preliminary coordination simultaneously with the decision of BÉT – and hiding behind it – the broker firms all increased their brokerage fees coming from futures transactions by 200-300 percent. Furthermore it was presumed that the uniform fee rise was possible due to a decision elaborated beforehand by the Trading Committee (thus indirectly the brokerage firms) and announced by BÉT in autumn 2005. Following this decision a brokerage firm wishing to enter any section of the stock exchange (shares, futures, foreign exchange etc.) must pay an entry fee amounting to HUF 30 million contrary to the earlier entry fee amounting to HUF 5 million. It became likely that several foreign and Hungarian undertakings could not enter the Hungarian market due to this step.

To confirm its suspicion, the GVH conducted an on-spot inspection (dawn raid) on 9 October 2006 at Buda-Cash Brókerház Zrt, Concorde Értékpapír Zrt., Equitas Bróker Rt., Erste Befektetési Zrt and Budapest Stock Exchange Zrt. Later on 18 October 2006 another dawn-raid was held at Cashline Értékpapír Zrt., Equilor Befektetési Rt. and HVB Bank Hungary Zrt. The GVH extended its investigation to Hamilton Tőzsdeügynökség Zrt, Questor Zrt, Magyar Takarékszövetkezeti Bank Zrt. and also Inter Európa Bank Zrt.

In the course of the investigation concerning the fee raising by the eleven investment service providers, the GVH could not find any documents serving as evidence underpinning directly or indirectly its suspicion. It could only establish that while some undertakings did not raise their fees at all, others did so but to a largely different extent. The fact that the dates of the changing of brokerage fees were the same could raise suspicion, however the GVH, in the absence of opposing evidence thought it realistic that the decision of the general manager of BÉT to decrease contract sizes justified the nearness of the dates when fees were changed.

Under the Competition Act, the Competition Council proceeding in the case terminates the proceeding by order if infringements cannot be established based on the evidence collected in the course of the investigation and it cannot expect any results from the continuation of the proceeding. Since the proceeding of the GVH could not unfold any evidence underpinning the infringement and the continuation of the proceeding could not be expected to unfold any of such evidence either, thus concerning the increasing of brokerage fees, the GVH decided to terminate the investigation against the broker firms for lack of evidence of any infringement.

However the GVH went on with examining BÉT to find out whether the one-time increase of entry fees was susceptible to hinder investment providers from entering the market. However, at the same time, the stock exchange made commitments as follows:

1. Entry fee is modified to net HUF 10 million per sector from 1 August 2008 on for all undertakings wishing to enter any sector, included those already with a sector membership and those that wish to become new members.
2. In a case when a future section member wishes to get a membership in three sections and pays all the three one-time entry fees, altogether net HUF 30 million, it may obtain a fourth membership (in a fourth sector) without the obligation to pay the entry fee.
3. Members that have already paid the one-time entry fee of HUF 30 million under the old scheme for entry fees may enter any further sections without the obligation to pay.

The GVH, after deliberating on all the facts and circumstances revealed in the course of the proceeding came to the view that the public interest attached to competition can most effectively be assured by accepting the commitments proposed and by making them binding. Therefore, the GVH terminated the proceeding against BÉT by an order without establishing an infringement.

Case number: **Vj-152/2006**.

Budapest, 3 July 2008

Hungarian Competition Authority
Communication Group

Further information:

András Mihálovits

Hungarian Competition Authority

Address: 1054 Budapest, V., Alkotmány u.5.

Postal address: 1245 Budapest, 5. POB. 1036

Tel: +36-30 618-6618

E-mail: Mihalovits.Andras@gvh.hu

<http://www.gvh.hu>