Capital market in Poland against European, role of Warsaw Stock Exchange

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Financial market in Europe

• Stock exchange market for many years played a secondary role in the European financial system
• Recently, much of the stock market has grown rapidly, especially in countries belonging to the euro zone
Stock Market Capitalization in Europe 2000-2016

Kapitalizacja giełd w Europie (EUROm)

Universität Regensburg
**Stock Market Capitalization in Europe**

**December 2016**

<table>
<thead>
<tr>
<th>Exchange</th>
<th>Value at Month End (EUROm)</th>
<th>% Change MoM in EURO</th>
<th>% Change on Previous year end in EURO</th>
<th>% Change on Previous year end in loc.curr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athens Exchange</td>
<td>35 308,65</td>
<td>1,2</td>
<td>-6,0</td>
<td>-6,0</td>
</tr>
<tr>
<td>BME (Spanish Exchanges)</td>
<td>669 394,92</td>
<td>6,6</td>
<td>-7,1</td>
<td>-7,1</td>
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<tr>
<td>Borsa Istanbul</td>
<td>162 781,25</td>
<td>4,5</td>
<td>-5,8</td>
<td>9,7</td>
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<tr>
<td>Bucharest Stock Exchange</td>
<td>16 811,49</td>
<td>4,9</td>
<td>-0,9</td>
<td>-0,6</td>
</tr>
<tr>
<td>Budapest Stock Exchange</td>
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<td>6,8</td>
<td>31,4</td>
<td>30,6</td>
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<td>Bulgarian Stock Exchange</td>
<td>4 950,59</td>
<td>5,5</td>
<td>12,8</td>
<td>12,8</td>
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<tr>
<td>CEESEG - Prague</td>
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<td>4,5</td>
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<td>-5,7</td>
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<td>8,3</td>
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<td>Cyprus Stock Exchange</td>
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<td>Euronext</td>
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<tr>
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<tr>
<td>Luxembourg Stock Exchange</td>
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<td>Malta Stock Exchange</td>
<td>4 211,94</td>
<td>3,9</td>
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<td>4,5</td>
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<tr>
<td>NASDAQ Nordics &amp; Baltics</td>
<td>1 185 896,57</td>
<td>5,5</td>
<td>2,2</td>
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<tr>
<td>Oslo Børs</td>
<td>219 478,38</td>
<td>4,3</td>
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<td>SIX Swiss Exchange</td>
<td>1 331 207,69</td>
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<td>-5,1</td>
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<tr>
<td>Warsaw Stock Exchange</td>
<td>130 988,46</td>
<td>6,1</td>
<td>3,9</td>
<td>8,4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8 991 444,85</strong></td>
<td></td>
<td></td>
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</table>

No of Listed Companies December 2016

<table>
<thead>
<tr>
<th>Exchange</th>
<th>No of new Companies Listed through an IPO</th>
<th>No of other new Companies Listed</th>
<th>No of Companies with Listed Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestic</td>
<td>Foreign</td>
<td>Total</td>
</tr>
<tr>
<td>Athens Exchange</td>
<td>0</td>
<td>1</td>
<td>1</td>
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<tr>
<td>BME (Spanish Exchanges)</td>
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<td>3</td>
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<tr>
<td>Boerse Stuttgart</td>
<td>n/a</td>
<td>n/a</td>
<td>n/d</td>
</tr>
<tr>
<td>Borsa Istanbul</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Bucharest Stock Exchange</td>
<td>1</td>
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<tr>
<td>Budapest Stock Exchange</td>
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<tr>
<td>Bulgarian Stock Exchange</td>
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<td>CEESEG - Vienna</td>
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<tr>
<td>Cyprus Stock Exchange</td>
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<tr>
<td>Deutsche Börse</td>
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<tr>
<td>Euronext</td>
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<td>Irish Stock Exchange</td>
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<td>n/d</td>
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<td>0</td>
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<tr>
<td>NASDAQ Nordics &amp; Baltics</td>
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<tr>
<td>SIX Swiss Exchange</td>
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<td>n/a</td>
<td>n/d</td>
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<tr>
<td>Warsaw Stock Exchange</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>24</td>
<td>1</td>
<td>25</td>
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Source: http://www.fese.eu/statistics-market-research/historical-data
Stock Exchanges in Europe

- **Local** - the majority of listed financial instruments and turnover relates to securities issued in the country. Having no significance in the global economy, eg. Malta Stock Exchange

- **International** - a large part of all securities is issued by foreign companies and institutions, eg. Deutsche Borse

- **Global** - large international stock exchanges, with a very significant number of listed financial instruments and high-value turnover. Listed companies are major multinational corporations, eg. London Stock Exchange
How US and EU Capital Markets Are Different?

• ‘Anglo-Saxon’ financial system - companies rely far more heavily on stock market. Associated with the United Kingdom and the United States

• European continental financial system - companies rely far more heavily on bank lending. Associated with the France, Italy and Germany

• European countries relied on bank-oriented financial systems: investors deposited a large portion of their savings in banks, and the banks played a major role in providing financing to the industry
Consolidation of European Stock Exchanges

• introduction of the euro
• cross-border trading in Europe
• reduction of costs
• increase in market liquidity
• benefit the investment banks and brokers that engage in cross-border transactions
• reduction in market fragmentation
• cost reduction of obtaining information on foreign stocks.
Stock Exchanges in Europe

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Euronext

• Amsterdam, Brussels, Paris, Lisbon

• shares, bonds, derivatives

• Universal Trading Platform
Euronext- integrated European stock exchange

• EURONEXT N. V. 22 september 2000

• Amsterdam, Brussels and Paris

• London International Financial Futures and Options Exchange (LIFFE)

• Lisbon - Oporto Stock Exchange (Euronext Lisbon)

• Euronext major integrated European stock exchange
Eurolist by Euronext

Euronext is segmented according to market capitalization

• Compartiment A: companies with a market capitalization of more than €1 billion
• Compartiment B: companies valued between €150 million and €1 billion
• Compartiment C: companies with a market capitalization of less than €150 million
Euronext indices

- AEX
- BEL20
- CAC40
- PSI20
LCH.Clearnet

- Single clearing house

- LCH.Clearnet provides clearing services to Euronext's Amsterdam, Brussels, Lisbon and Paris Cash Markets
Deutsche Börse Group

• International stock exchange

• Xetra trading platform

• DAX index

• Euronext and Deutsche Börse are the major stock exchanges in eurozone
Xetra worldwide

• Xetra is one of the leading trading platforms for securities in Europe and the reference market for German equities and ETFs
• Bulgarian Stock Exchange, the Irish Stock Exchange and the Malta Stock Exchange and Wiener Börse AG
Index DAX

- The German Stock Index is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange.
Frankfurt Stock Exchange

• FWB Frankfurter Wertpapierbörse - the Frankfurt Stock Exchange

• Frankfurt Stock Exchange is one of the world’s largest trading centres for securities. With a share in turnover of more than 85 per cent, it is the largest of Germany’s seven stock exchanges
London Stock Exchange

• London Stock Exchange is one of the world’s oldest stock exchanges. London Stock Exchange Group was created in October 2007 when London Stock Exchange merged with Milan Stock Exchange, Borsa Italiana

• Broad range of international equity, bond and derivatives markets

- London Stock Exchange
- Borsa Italiana
- MTS, Europe's leading fixed income market
- Turquoise, a pan-European equities MTF
FTSE 100

- **FTSE 100 (Financial Times Stock Exchange 100 Index)** – FTSE 100 companies represent about 81% of the entire market capitalisation of the London Stock Exchange

- indication of the UK economy
London Stock Exchange

• Europe’s biggest financial market

• Fourth-largest stock exchange in the world and the first in Europe
Nasdaq OMEX

• Nasdaq, Inc. is the world's largest exchange company

• More than 3,500 listed companies

• Nasdaq Europe
Nasdaq OMX Nordic i Baltic

• Nasdaq OMX Nordic – Helsinki, Copenhagen, Stockholm, Iceland,
• Nasdaq OMX Baltic - Riga, Tallinn and Vilnius,
The CEE Stock Exchange Group –

• **Vienna** Stock Exchange
• Budapest Stock Exchange
• Ljubljana Stock Exchange
• **Prague** Stock Exchange

Now it is only Vienna Stock Exchange and Prague Stock Exchange
The holding company CEESEG AG till 2015
Warsaw Stock Exchange
Do we need a stock exchange?

Most of Poles’ savings are located in bank deposits.

Stocks represent only 3.4% of Poles’ savings; however, individual investors are very active on the GPW.
Warsaw Stock Exchange

• EUROPEAN UNION’s MOST DYNAMIC STOCK EXCHANGE

• For several years now, Warsaw Stock Exchange has been a leading European exchange by the number of IPOs

• WSE's derivatives trading platform has grown to become the largest in CEE
Initial Public Offerings in 2016

• WSE is third European exchange by the number of IPOs – 28, after Nasdaq OMX – 80, LSE - 67
• Deutsche Borse – 11 but if we consider value of IPOs it was third (innogy SE), after Nasdaq OMX and LSE
WSE Markets

Financial market - trading

- New Connect
- Main Market
- Catalyst
- TBSP

Equities & other
- Equities and other
- Structured products
- Warrants
- Investment certificates
- ETFs

Derivatives
- Index futures
- Currency futures
- Single - stock futures
- Interest rate futures
- Options
- Index participation units

Bonds
- Corporate bonds
- Municipal bonds
- Mortgage bonds
- Treasury bonds
Warsaw Stock Exchange

• The Warsaw Stock Exchange Company was created on April 12, 1991 by the State Treasury, now it is private

• 487 companies, including 54 foreign companies, listed on its **Main Market**, and 403 companies listed on **NewConnect**
Warsaw Stock Exchange

• The strong interest of local and regional companies in listing on GPW has for many years strengthened the position of the Exchange as one of Europe’s leading and CEE’s top market by the number of listed companies.

• Stocks, bonds, debt instruments, derivatives and structured products.

• Most of the issuers are small and medium-sized companies of Polish origin.
Listing in Warsaw

- Stocks
- Pre-Emptive Rights
- Rights issue
- Bonds
- Investment Certificates
- ETF
- Derivatives
- Structured Products
Universal Trading Platform

• Universal Trading Platform
• 15\textsuperscript{th} April 2013
• NYSE Technologies
• 20 000 Orders per second
WSE indices

- WIG
- WIG20
- WIG30
- mWIG40
- sWIG80
- Respect
WIG – main index
# Share of Investors in Financial Instrument Trade on GPW in 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Institutional</th>
<th>Individual</th>
<th>Foreign</th>
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<tbody>
<tr>
<td>2008</td>
<td>18</td>
<td>39</td>
<td>43</td>
</tr>
<tr>
<td>2009</td>
<td>27</td>
<td>37</td>
<td>36</td>
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<td>2010</td>
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<td>2012</td>
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<td>34</td>
<td>48</td>
</tr>
<tr>
<td>2013</td>
<td>15</td>
<td>38</td>
<td>47</td>
</tr>
<tr>
<td>2014</td>
<td>13</td>
<td>38</td>
<td>49</td>
</tr>
<tr>
<td>2015</td>
<td>12</td>
<td>37</td>
<td>51</td>
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<tr>
<td>2016</td>
<td>13</td>
<td>34</td>
<td>53</td>
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## WSE statistics

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic market cap (PLN mil.)</th>
<th>Listed companies</th>
<th>Share turnover value (PLN mil.)</th>
<th>Bond turnover value (PLN mil.)</th>
<th>Futures volume</th>
<th>WIG index change (%)</th>
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<tbody>
<tr>
<td>2017</td>
<td>621 261.97</td>
<td>486</td>
<td>68 551.00</td>
<td>379.00</td>
<td>2 149 634</td>
<td>11.90</td>
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<tr>
<td>2016</td>
<td>557 123.58</td>
<td>487</td>
<td>202 293.00</td>
<td>1 426.00</td>
<td>7 597 905</td>
<td>11.38</td>
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<tr>
<td>2015</td>
<td>516 785.16</td>
<td>487</td>
<td>225 287.00</td>
<td>904.00</td>
<td>7 766 891</td>
<td>-9.62</td>
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<tr>
<td>2014</td>
<td>591 164.93</td>
<td>471</td>
<td>232 864.00</td>
<td>992.00</td>
<td>9 001 819</td>
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<td>2013</td>
<td>593 464.45</td>
<td>450</td>
<td>256 147.00</td>
<td>1 653.00</td>
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<td>2012</td>
<td>523 390.23</td>
<td>438</td>
<td>202 880.00</td>
<td>1 043.00</td>
<td>10 592 353</td>
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<td>2011</td>
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<td>268 139.00</td>
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<td>379</td>
<td>175 943.00</td>
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<td>2 768.00</td>
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<td>2005</td>
<td>308 417.62</td>
<td>255</td>
<td>98 517.00</td>
<td>2 754.00</td>
<td>5 378 517</td>
<td>33.66</td>
</tr>
</tbody>
</table>
WSE number`s- capitalization

Warsaw Stock Exchange capitalization

1 281 272.58 mln PLN

Major Stock Exchange in Central-Eastern Europe
WSE`s strategy

Growth of the WSE will be based on six pillars:

• a liquid equity market;
• a developed debt market;
• a competitive derivatives market;
• a commodity market attractive to investors;
• a comprehensive offer of information products for investors and issuers;
• new business segments opened based on available competences.

Polish GDP growth
Polish GDP

Poland is the 8th largest economy in the EU...

Note: GDP at market prices as of 2014, EURbn
Source: Eurostat
Poland is the largest economy in CEE region

<table>
<thead>
<tr>
<th>Country</th>
<th>2015 GDP (EUR bn)</th>
<th>Population (m)</th>
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</thead>
<tbody>
<tr>
<td>Poland</td>
<td>428</td>
<td>38.0</td>
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<td>Czech Rep.</td>
<td>161</td>
<td>10.6</td>
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<td>Romania</td>
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<td>Hungary</td>
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<td>Slovakia</td>
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<td>5.4</td>
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<td>Slovenia</td>
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<td>2.1</td>
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<tr>
<td>Bulgaria</td>
<td>44</td>
<td>7.2</td>
</tr>
</tbody>
</table>

2008-2014 accumulated GDP growth

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Strengthen and broaden foreign investor base

- co-operation with issuers, to spark interest in GPW-listed companies among foreign investors
- co-operation with investment banks
Conclusions

• Poland is the largest CEE economy and growth leader in EU

• Warsaw Stock Exchange operates like a market company whose goal is profit-making and strengthening its position on the international market

• Exchanges are no longer state-owned and non-profit institutions
Future of stock exchange markets in Europe

- The creation of the European Union has reduced many of the barriers to cross-border trading
- Consolidation could proceed faster in Europe than in the United States
- European governments can play an important role in the transformation of the countries’ stock exchanges
Thank You

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