

SYNTHESIS

Of the main part of the PhD thesis

Starting from the multitude of actual tendencies and the complexity of new challenges on the capital market, which are treated to length in the thesis, and despite the extremely difficult conditions that stood in the way of the sinuous evolution of the capital market in Romania, we can conclude that the Romanian capital market has its well defined role in the well functioning of the national economy.

The choice for researching and treating the subject "The Capital Market in the European Union: Risks and Tendencies in the Context of Globalization" performed under guidance inside the doctoral school, issued from a long analysis of the transformations and changes on the capital market after the adhesion to the European Union and the economical depression in the last years, with direct effect over the global capital markets, implicitly over the Romanian capital market. The political transformations at global level have represented, in their turn, an important pendulum in the balance of the capital markets. Romania's entry in the European Union underlies a stable setting for the capital market, with promising premises and new development perspectives, but with considerable postponements towards the central- European region. The legislative reforms, the powerful influences of the informational economy, the global financial depression were just a few of the implications of the globalization process on the efficiency and stability of the financial system, paraphrasing: of the influences of the globalization phenomenon on the capital markets. Therefore, globalization has grown to be the solution and the problem of the capital markets, generating debates and economic analyses at world level on multiple research sections: of the causes, the movements of a considerable volume of capital flows, the direction of these flows, of the volatility of markets, of the involved and the prejudiced nations, of the benefits, but also of the actual risks derived from these problems. For the new tendencies, challenges and perspectives have also drawn after themselves changes of risks, or new types of risks with which all the participants to the capital market are confronting themselves, risks derived from the recession of competition and from the continuous diversification of products and financial instruments, as well as from the abusive behavior and from legislative deficiencies, from regulatory lacunas at both macroeconomic level and microeconomic level- in our case, the capital market of Romania.

Thus, the importance of the scientific demarche resides in the necessity of developing a status of efficient capital market economy, with regulations adapted to the European Union's conditions, befitting to the current preceding conditions of the economic depression, with the risk factors according to the new global economical coordinates.

In this context, the following doctoral thesis points out the necessity of developing an integrated capital market, with legislative initiatives, open to the structural changes imposed by the current global challenges, inside of the current world economic architecture. The perspectives of the Romanian financial market by the liberalization of restrictions, the transformations of technologies concerning information, online transfers, the mobility of the capital flows ease the access of the markets, constantly revealing new ways of placing resources, and offering the possibility, in the close future, of the functional market economy passing to a modern and integrated market. But, with the advantages, the accelerated integration intensifies risks, as well as the emission of world turbulences and economic- financial depressions.

The following thesis combines conceptual and methodological analysis with the analytical synthesis regarding the fundamentals of the capital market, institutionalization in Romania, with a parallel between the national capital market legislation vs. the European market, the globalization of the capital markets, with the influences of this process on the financial system in Romania, the implications of the current financial depression, a SWOT analysis of the contemporary capital market in our country, the powerful influences of the informational economy, the recent risk analysis in the financial activity, subjects which complete the last years' picture of the evolution of the capital market in Romania.

The developments on the capital market have determined the reconsidering the theoretical fundamentals of current rules, regulations and legislation, considering new reforms on the capital market and new ways of managing risks in the activities of the participants to this market. Identifying and understanding new types of risks, the necessity of managing these risks in the financial activities of the participants- in our case, of the financial intermediation companies, of implementing a viable risk management, regulated and responsible in what concerns the administration, the revision and the reporting of risks on the capital market have created the conditions for realizing a scientific analysis, a fundament of knowing the current tendencies and risks on the labor market and of some efficient actions for a better functioning and managing of these risks on the capital market in Romania, have been the determinant of realizing this thesis.

The thesis suggests and incarnates a multidisciplinary approach, combining theoretical and practical aspects concerning the capital market and its well functioning in the current economical climate, identifying the recent risks to which the participants to the capital market are exposed, highlighting the modalities of managing these risks in the financial intermediation services companies- incarnated, analyzed and calculated in the case of SIF Oltenia SA. Throughout the entire thesis, a simple language is practiced, with explanations for each approached subject, with the current bibliographical material, aspects which I hope that deserve the attention of those who will study the project, especially for finding the best opportunities so that these solutions regarding the current risk management to be carried into effect by all the participants to the capital market.

The aversion towards risk, the complexity and the constant transformations of risk on the capital market have contributed to the development of the **fundamental objective** of the doctoral thesis, which is **the necessity of implementing risk management inside the financial intermediation services companies.**

For reaching the main objective, the following were considered:

- The disclosure, structuring and issuance of considerations regarding the conceptual and methodological setting of the capital market;
- The analysis of the differences of the laws and the regulations of the European and Romanian legislative setting, highlighting the necessity of establishing an only corpus of regulation;
- The evaluation of the institution and evolution of the capital market in Romania, as well as a SWOT analysis of the field's current stage;
- The role of stock exchanges in the economic development, as in the research of the possible reforms of the Romanian stock after the consequences of the current financial- economic depression;
- The evaluation of the world economic tendencies through the eye of globalization;
- The analysis of the current risk on the capital market, but also the measures taken in the financial activity of the financial investments company.

The organization chart of the following doctoral thesis has been structured on five chapters: the first chapter is of theoretical and methodological nature, chapters II, III and IV are of applicative and empirical nature, and the last chapter includes generalization of theoretical nature about risks in the companies for financial investments on the capital market, with a palpable study of the portfolio risk- the only risk that is compulsory imposed by the legal provisions , in the portfolio structure of SIF Oltenia during the year 2012.

The first chapter, "**The Conceptual and Methodological Setting of the Capital Market** " begins with a foray in time and space in the evolution of the capital market, disclosing in economical theory and practice the two conceptual approaches: the Anglo- Saxon one and the continental- European one. Subsequently, the chapter successively presents a synthesis of the capital market's structure, of the current systematization, analyzing the regulation structure in Romania, parallel to the European one, with its specific differences and resemblances, with its corresponding advantages and disadvantages, which often create confusion amongst the capital market players. At the end of this chapter I have approached a quite recent subject, which is the informational economy, the strong influences on the capital market of the stock industry's revolution through online transactions, internet transaction platforms, accessible anytime and to anyone. The main conclusions which emerge from this chapter are:

- The Romanian specialized literature, as well as the economic practice in Romania have predominantly adopted the classic continental- European conception of the capital market;

- The financial regulation structure has radically changed in the last two decades, concerning the legal limits, as well as the geographical ones between the capital markets and securities, becoming more and more globalized. The economic realities from the last period have shaped the globalization phenomenon, emphasizing the more and more obvious interrelations between the financial markets of both developed and developing states;
- The main problem of the European capital markets is the difference of regulations between the states in which transaction takes place, differently imposed by national governments, and creating confusion amongst investors. For these reasons, the solutions given by the European Union for the formation of an only regulation corpus are going to be adopted, which shall capacitate and stimulate investments in the European capital markets;
- The new electronic technologies increase the present possibilities of the capital markets, giving the participants to the market a momentary, veracious information about the state of the capital markets in any country and make possible fast data processing, congruent to the new trends of the economy's liberalization. Hence, the trend of internationalizing the markets of the industrially developed states;
- Currently, the investors can buy or sell shares, day or night, depending on the listing place at a certain moment- Tokyo, London, New York, or any other region. Thence, we might expect that the markets which dominate today will integrate in such a degree that they will lose their national essence.

The second chapter, **"The Apparition and Development of the Romanian Capital Market"**, highlights the impact of the capital market on the well functioning and stimulation of the economy of the Romanian society, focusing on the functionality and the institutionalization of the capital market in Romania, on the structural changes and the harmonization of the economical mechanisms of our country with the ones from the European Union. A short radiography of the current capital market, by highlighting the advantages and disadvantages, the market opportunities and the external and internal threats of the capital market in Romania through the SWOT method, method used in controlling planning and risk, highlights the bugs as well as the trends in organizing the capital market of our country. The effects of the world economic depression over the European market have also strongly reverberated at a national level.

Concluding, we can assert the following:

- the capital market in Romania has represented the base and the catalyst of the process of the economy's privatization;
- the new institutional setting, according to the Bill 297/2004 offers the capital market a current structure necessary to the development at an European level;
- practically, the foreign market has strongly influenced the Romanian market's trend not only in the period before the depression, when the capital entries were determining abrupt raises of the Romanian stock holdings, but also subsequent to the starting of the depression, when the outcomes on the

Romanian market have put negative pressure on holdings, as well as on the subscribers of BSE;

- bugs in the history of the Romanian capital market's development: the initial lack of investment culture, the postponements between the mass privatization process and the apparition of the necessary institutions, the postponements between the formation of the primary and secondary market, and the postponements between the reorganization of the Bank and the organizing of the capital market, the Government's lack of interest, the necessity of more public offers;

- the main constituent in the evolution of the stock holdings listed in the Bucharest Stock Exchange for the following years still is the influence of the external factors.

Analyzing, structuring and systemizing these conclusions, I have made a SWOT analysis of the Romanian capital market, highlighting the following:

The **strengths** of the Romanian capital market are the settlements and institutions at European standards- the fusion between BSE and RASDAQ/BER, the establishment of the Central Depository, the creation of the Investors' Compensating Fund, with a legislation harmonized with the European Directives- and have provided the opportunity for the companies listed on the market to operate on the markets of the European Union, without the need for other authorizations, the total liberalization of the capital account, the unchanged maintenance of the commission policy, the maturation of the capital market, the dynamic derivatives market, modern online transaction platforms, a high level of transparency, a low rate of taxation of 16%.

Among the **weak points**, we enumerate: imbalances in liquidity, reduced size: small number of investors, insufficient economy financing activity through the emission of stock holdings and bonds, instruments that are not yet implemented (ex.: short-selling), the unstable political situation, the low investment culture level, low country rating, the economy's dependency on the capital infusions from abroad, the perpetual depreciation of the national coin, not completing an only capital market by the fusion between BSE and the Sibiu Monetary, Financial and Commodity Stock Exchange, reduced information offered to the public, the major dependency of the Romanian economy in parallel to the evolution of the international markets.

Among the probable **threats** in the current context of the capital market in Romania, reference is made to: perpetuating the negative consequences of the world depression, such as the decrease of the interest of foreign investors on the emergent markets, the reduction of the number of companies listed in the stock market, the high level of taxation, the insecurity related to the taxation of the incomes on the capital market, but also delisting some important issuers.

After this SWOT analysis we can relatively easily observe that the capital market in Romania is trying to perfect its maturation period, through settlements and regulations at a European level, as well as through the organizational setting able to face the current problems. From the point of view

of the emergent character of our country, still obvious deficiencies show: the low capitalization, the limited range of products, the reduced number of investors which lead at reduced volumes o transaction, the volatility level of the raised prices etc.

The spectacular effects of the world economic depression which shook the entire global financial sector, with immediate consequences on the capital market in Romania, have been set off towards the end of this chapter also by the presentation of the reports of the Bucharest Stock Exchange from the years before the depression. The remarkable role that the stock markets have in the economic environment has produced a special interest with the theorists and practitioners in what concerns the deepened study of this sector of the economy, as well as the way it can be perfected, adapted and disseminated notwithstanding the economic insecurity determined by the current world depression. In the third chapter, **"The Role of the Stock Market in the Capital Market"**, the appointments of the stock market in the Romanian economic actuality are highlighted, along with the great expectations regarding the reformation of the entire stock system. Synthesizing, we can underline the following current and important aspects:

- The stock market is obligated to fill the economic circuit with the financial funds from the capital market, so that these can, in their turn, finance the issuing companies for an efficient and productive use;
- The stock market is a barometer of the Romanian economic- financial life, of the current state and of the economy's perspectives, by the instrumentality of the development of the stock indicators, which experience all the events of the political an financial depression;
- The permanent adaptation of online platforms and technologies needed for transaction, for remaining in direct and in real- time contact with the other stock systems of the world;
- The reformation of the stock sector is necessary, for reducing the risks and for a better forecast of future financial depressions, by: the construction of an infrastructure for resolving depressions, a regulation of the stock market and a legal system which obliges the participants to respecting the law, by forensic and settlement systems which offer them a better protection, reforming the corporate governing, the regionalization of the stock markets, for the markets from some regions tend to be limited and with a low liquidity, large scale privatization of state enterprises, the consolidation of the abilities to supervise and manage risks, building and maintaining a trustworthy database of the stock market, but also promoting economic and political stability.

However, we can remark that the development of the role of the stock market is by far at its peak, the global financial economic depression showing the emergent character of the capital market in Romania, which needs a lot of reforms, the stock exchange needing a development of the numbers at all levels: more issuers, more initial public offers, more retail accounts, more investors, more mediators etc.

The fourth chapter, **“The Globalization of the Capital Markets”** begins with the main aspects regarding the globalization phenomenon and the world economic trends. The current economic world has suffered profound transformations after the political, economic, social and cultural transitions, the general problems becoming more global than national. The economic interrelations in the field of the states of the world through the streamline of allocating and using capital have led to an objective, adamant globalization, which needs a global settlement setting, for harmonizing and streamlining the capital markets in the European Union, and mostly in managing the current problems and solving the contemporary litigations and disputes. The globalization process, besides the innovating and dynamic advantages of development, is associated with the unfavorable, disruptive and marginalizing effects because of the multitude and complexity of risks on the capital markets, such as:

- The simple access to the world capital market optimizes the capital’s allocation through external financing, leading to the promotion of prosperity;
- The technological progress which allows investments and financing from all the participants in the world, intensifying and increasing expediency on the capital markets;
- The progress in management, but also the globally utilization of the languages of international use;
- The necessity of globalizing the emergent capital markets;
- The malfunctioning which might intervene will be difficult to control at a global scale, existing the possibility of expanding future financial depressions in real- time;
- Other disadvantages, such as: the volatility of flows on the national capital markets- with repercussions on the country risk, unexpected fluctuations pursuant to the unbalances of the real economies, the predisposition of developed states to use competitive policies, such as maneuvering the exchange rates, provoking disequilibrium in the external payments balances of the developing countries etc.

The capital market is captivating for all the participants: the issuers are preoccupied by the new techniques in the processes of investments, the investors are absorbed by the modern strategies on the capital market, the surveillance institutions oversee the compliance of the settlements, the market administrators innovate new transaction techniques, and the financial investments companies have the role to diversify this field by covering an ample structure and a wide range of activities. In fact, that type of investment must be pursued which ensures an optimal proportion between investment and risk, proportion adjusted according to the expectations, possibilities, and last but not least the aversion towards risk of each investor.

Risk is a complex concept, multidimensional, which manifests itself in various ways. Risk is omnipresent and includes accidents on the capital market, companies’ bankruptcy, monetary depreciation, modifications of perception, inflation and of contango, and even major changes in the tax code.

Under practical aspect, the approached theme realizes a radiogram of the risks on the current capital market in Romania, by the instrumentality of the activity of the Financial Investments Company Oltenia, emphasizing the way of administrating the portfolio of actions of the company in the purpose of minimizing the risk on the capital market. In this chapter we also find the theoretical and practical aspects of the investments that can be made by the financial investments companies, as well as the risks that they imply.

The decisions of capital are the decisions of financial management which imply the issuance, investment and selling of capital at one point, and re-carrying the flow of profits in the future. A notable aspect on these decisions is represented by the level of risk. In the current reality, there are capital investments with no risk at all, or capital investments with lower risk, but which preside limited earnings, but also capital investments with high risk, but which preside greater earnings. To better understand the decisions of capital investments under the conditions of risk, in chapter V, **“Risk Management in the Activities of Financial Intermediation Services Companies (Case Study: SIF Oltenia SA Craiova)”** I have analyzed the manner in which these can be integrated in the financial managerial decisions theory. The anticipations of the financial investments companies regarding future yields, in conditions given by the investment risk, represent the fundamental criterion of mobilizing and allocating capital. The determinant factors of the investment environment are of endogenous nature, as well as exogenous, cyclical and structural, these influencing or being influenced on the stock market. The current study during the year 2012 has analyzed the structure of the portfolio of SIF Oltenia, by framing the categories of assets in the limits imposed by legislation, namely by the rigorous calculation of the portfolio risk, the only risk judicially imposed by the CNVM to all the financial intermediation services companies.

Methodologically, in risk analysis on the capital market it's been aimed to realize an analysis of the facts and phenomena in their evolution, applying the longitudinal methodology.

Thus and so, after a rigorous analysis of all the risks in the financial activity of SIF Craiova, and exposing their settlements concerning risks, I have identified and defined all the risks and obligations of the company regarding each: the risk afferent to the economic environment, controllable and uncontrollable risks, operational risk, liquidity risk, the market risk, the credit risk, taxation risk, reputation risk, conformity risk, the legal risk, strategic risk and portfolio risk, with the responsibilities, instruments and mechanisms of control in treating risks, as well as their revision and reporting. Risk management is the process through which the exposures to risk are identified, measured and controlled. Therefore, the management of financial risk has become an essential instrument of the survival of all the activities on the capital market.

The exposures to financial risks can be carefully optimized so that the companies can focus on what they do best, namely to handle the exposure to the risks of the business. The basic appointment of the financial institutions, as

opposed to the industrial corporations, is that of handling the financial risks. The financial institutions now understand that they must measure the sources of risk as a prelude to its controlling. Understanding risk means that the financial managers can safely plan the outcrops of the adverse results, and by doing this, they are better prepared. That is how they can offer better prices for risk control than the competition. To achieve their objectives, everyone must assume some risks and avoid others. The capital market, one of the most profitable investment vehicles of our times, has a variety of risks which the investors should admit and understand.

Underlining the theoretical and practical aspects incarnated by the personal contribution in the study of the capital market in Romania, also consigning the future research opportunities, I mention the following:

- New settlement reforms are necessary for preventing new financial depressions;
- The current global economic depression, by the instrumentality of globalization might be an opportunity for redesigning the structures, systems and financial settlements of the 21st century- the proposed reforms and analyses in the thesis are meant to contribute to this front;
- The institution of new instruments and financial operations is necessary, congruent to the European standards;
- Initiating some fiscal facilities for attracting new issuers;
- It is necessary to roughen the sanctions responding to illegal actions and malfeasances on the capital market;
- It is also necessary to list the public offers, the packets of shares from the important companies from the state's portfolio;
- The capital market of Romania is different from the markets of the developed states by a high level of risk, reduced liquidity, decreased transparency, increased volatility, so that attracting international portfolio investments is very modest up against the current opportunities
- The development in the future of an early investment and stock education is necessary, but also the raise of the level of promotion of the stock market through the mass- media, internet or various profile publications;
- The technological progress allows investments and financings from all the participants in the world, intensifying and increasing the expediency on the capital markets;
- Once with the evolution in time of the capital market, new types of risks have emerged, which must be identified, measured and controlled by the financial risk management;
- The progress in risk management is remarked;
- It is necessary to impose new methods of calculus in forecasting risks;
- Because of globalization, the malfunctioning which can intervene will be difficult to control at a global scale, having the possibility of real- time expansion of future financial depression.

The capital market of Romania successfully mirrors, even in the given situation, the image of the real economy. But without structural and legislative

reforms, and in the middle of an unstable macroeconomic setting, it doesn't have a lot of possibilities of revival.

In the current context of uncertainty and of new categories of risks arisen with the financial depression and with the strong, more and more intensive influences of the globalization among the states of the world, the capital market in Romania has, at least on short-term, discouraging perspectives. On the long term, though, if the transaction volumes will optimize, by increasing the interest of the participants on the capital market, by introducing new financial instruments, by listing new companies to the stock market and attracting foreign funds, the capital market of Romania might gain fertile and feasible ground in the European context. These developing opportunities for the next years, though, are in tight relation to the external factors, interdependent on the evolution of foreign markets. But only through the compatibility of the capital markets at a macroeconomic level, the development of the expedience of the economic systems and the diminution of postponements between states is possible, as well as creating more efficient new ways of combating the actual risks.

In the end, I address honest thanks to all those who have read or will read the study in the future, and will bring their contribution with observations or suggestions to the upgrade of the version which I recommend, after the structural and legislative changes on the Romanian capital market programmed in the near future.