



III Financial Observatory El Español – Invertia

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Thank you to El Español for having me in this III Financial Observatory. It's a pleasure to join this forum another year.

Today, as we celebrate International Women's Day, commemorating women's struggle to be part of society as equals, it is only fair and necessary to talk about diversity in the finance sector and listed companies.

On this past 23 November, the European Commission adopted directive 2022/2381, which requires Member States to set minimum gender diversity targets by law by 2026. The directive establishes two options: at 33% of women in management positions or 40% in non-executive management roles. The Spanish government announced yesterday a draft law to determine and improve such minimum numbers for listed companies and Spanish public interest entities.

It is important to remember that, until now, the promotion of women's participation on boards and in the senior management of listed companies has relied exclusively on the recommendations made by the CNMV on good governance code since 2015 and on the actions of Spanish listed companies themselves. It is important to not forget this topic, but it is only fair to recognise the progress that has been made.

In 2012, 12% of board members of listed companies were women. At the end of 2022, a decade later, in the case of the IBEX, there were 38% and almost 33% for the group of listed companies, compared to the recommended 40% of female directors that the CNMV established (in 2020) for the end of 2022. This means that we haven't reached the goal, but we are almost there. The data is not official CNMV data (our publication is made with the Annual corporate governance report of all companies), but approximate.

This implies a 21-percentage point improvement in a decade, without any instruments other than the recommendations of the Code of Good Governance. I think the development has been very positive.

Continuing with the same behaviour, the Directive's requirement for 2026 will be attainable for our market, and I hope that that will also be the case for the more demanding minimums proposed by the Government in its draft Law, as it estimates 40% in the full board, even if these numbers are on average.

However, the CNMV is well aware of the effects of rules that differentiate listed and unlisted companies in matters not strictly linked to shareholders' interests. I also think we can all agree that equality is not just an issue for listed companies. This is why it will be essential to clarify, as soon as the draft is complete, if, as the press seems to state, these legal requirements include with a longer adaptation period, non-financial companies of a certain size, even if they are not listed. A current example of this is the obligation to publish annual non-financial information.

In the area of women managers, the CNMV has not made quantitative recommendations, but only qualitative ones. The good news is that the percentages have been improving every year, but not fast enough. Although we do not have complete data, we will probably not reach 25% in 2022. If we do not improve in this area soon, we will be missing the opportunity that senior management represents, not only as a pool of new female directors, but also the influence and talent that women can bring to business management.

In this regard there are two theories: the critical mass theory and the critical positions theory. The first predicts that once a certain threshold of diversity is solved, there will be a rapid shift, a certain chain reaction, towards parity on boards or management as a whole. The second theory states that the path to equality is not just a question of percentage, but whether there are women in a sufficient number of critical positions, such as that of Chairwoman, CEO, CFO, Secretary of the Board, and so on. Perhaps we should pay attention to both dimensions and not just the percentages.

I encourage all companies and the media as agents of socialisation, so that we can reach the goal of equality very soon.

I do not want to miss the opportunity to point out a couple of other issues concerning the stock market.

The first one is related to the increasing marketing of fixed income instruments. This includes funds as well as fixed income securities. In 2022, there has been an increasing marketing of funds with a specific performance objective and those with a buy-and-hold strategy. We have also seen a growing interest in the direct purchase of bills and bonds (of the State or companies).

For a long time, the CNMV has considered particularly important for clients to receive a clear and precise explanation of the market risk borne by these products, especially in a scenario such as the one we are experiencing. The price of fixed income instruments is not fixed, regardless how it may seem to knowledgeable investors, this

especially being the case for products with long time horizons and in a moment where interest rate curves are expected to rise.

In this regard, we have carried out three actions in the last year:

1. Publicly warn, in various speeches, of these risks.
2. After May 2022, apply the 2017 CNMV guideline to entities that registered buy-and-hold funds, even if it did not formally apply to them.
3. In mid-February 2023, a few weeks ago, we published an update and refinement of the 2017 technical guidance, introducing new guidelines for buy-and-hold or performance-targeted funds, for public consultation.

I believe that, beyond the guidance to entities that sell funds, it is important to continue to send a message to retail investors who are considering investing in fixed income:

1. Assess the risks if rates continue to rise.
2. Be aware of the real (probably negative) return that the product offers.
3. Learn about the possibilities of withdrawing your investment early and the corresponding consequences it could have.
4. Compare the options regarding cost and taxation between buying and holding the securities or buying the mutual fund that invests in those securities.

The second item related to the stock market is the social and media attention surrounding the proposal that Ferrovial's board announced it will pose to its shareholders, which includes transferring the company's headquarters and the place where the company's shares are registered to the Netherlands.

It is worth sharing some ideas, but not on the issue of the registered or fiscal address, which does not come within our jurisdiction, but on some aspects of the operation, which are related to the listing or registration of the securities of the resulting company.

Let me first recall CNMV's role in any similar merger operation. Our role is to ensure that investors have the necessary information of the merger and its terms and, in this case, on the admission to trading of the resulting new shares - if the board move forward with the proposal - in order to exercise their rights.

Our role as supervisor is not to question the motivations of business decisions. Rather is to ensure that they are fully, correctly and comprehensibly disclosed and executed in accordance with the regulations with full transparency to shareholders and investors, who are the only ones we have to protect.

In any case, it is a specific example that allows us to reflect on the alignment of European capital markets and the Spanish market in particular.

My first thought is that the European capital market is highly integrated and has a strong international perspective, which is something that the CNMV has always promoted and valued positively. The CNMV has never taken into account the nationality, passport or location of an issuer's registered office: we only monitor if the regulations are being complied.

I have said on several occasions that we appreciate the opening of stock markets both for foreign companies that want to be listed in Spain and Spanish companies that want to be listed abroad, particularly at the European Union level. In Spain, for example, to this date there are eleven non-Spanish issuers that have chosen to be listed in Spain, and three non-Spanish settlement infrastructures with authorisation to provide services to Spanish issuers.

Regarding to the freedom to choose the place for listing or registration, the equity market is not fragmented at EU level. In fact, the opposite. There are many examples of companies that have their registered office in one country and register and trade their shares in another. Despite some comments I have heard over the last few days, there is no fragmentation in the reporting requirements of the issuers (financial and non-financial, prospectuses, transparency or inside information). It is wrong to think that companies choose where to be listed based on said parameters, as they are identical throughout Europe, based on EU regulations.

I would, of course, prefer Spanish companies to be listed in Spain, although this does not depend only or mainly on the rules and regulations of each market. However, in recent years we have set an objective, subordinate to the main goal, that is to ensure that Spanish markets are fully comparable and competitive with other leading international markets. Recent governments, the CNMV and the market operator have applied many measures in this area. We can highlight three examples that are in the pipeline of the new Spanish Securities Market and Investment Service Act (LMVSI for its abbreviation in Spanish), which is expected to be approved tomorrow: (1) remove of some remaining elements of the settlement system (known as the PTI) that separated our market from that prevailing in the EU, (2) the new regulation that allows SPACs in Spain and (3) the drastic reform that is planned to speed up the admission to trading of bonds issued by companies.

In other words, our securities market has not stopped evolving in recent years, adapting its regulations to make it more flexible, always within the common European framework, which represents the overwhelming majority of the applicable standards. And our market is fully comparable to any other major European market. It is among the four largest markets in the EU, is home to major issuers of great international exposure, active on all continents, and attracts international investors in much higher proportions than, let us not forget, domestic investors.

Following the case of Ferrovial, the company has mentioned several reasons for registering its securities in the Dutch registry and listing them on a primary listing in the Netherlands and a secondary listing in Spain. Among such reasons, there is one

that has to do with the claimed difficulties or limitations that a Spanish company, listed in Spain, might have if it wanted to be additionally listed in the US market.

The first thing to note is that various Spanish and European companies have been or are listed on the US market through ADRs. These are certificates issued by a bank for a usually small part of the companies' share capital, so that the amount listed is a fraction of the share capital that the company has granted for trading. The fraction is determined by the demand that the corresponding security may generate among US investors. The vast majority of companies around the world that are also listed on the NYSE follow such method. Some benchmarks, such as Nasdaq, include ADRs in their composition, while others don't.

Another option, used by very few European companies, is a listing on the US stock exchange while maintaining their ordinary listing on a European stock exchange. This allows the capital listed in the US to be shares, rather than certificates, like the ADR method. This listing method also entails different costs and duty compared to the ADR method, as well as requiring certain registry connection, more or less sophisticated, through transfer agent banks, between the European and US registry, in order to settle trades in an orderly manner.

BME and the CNMV are analysing whether there could be limitations on the use of listing from Spain to the United States in two areas: the form of representation of securities and the mechanisms for indirect registration between the infrastructures of each country.

In the first case, it is important to remember that Spanish issuers have been operating in a completely dematerialised system since 1992, in which securities are born in an exclusively digital environment, without the use of physical securities. Other markets have maintained the paper instrument as the initial representation of shares, transforming them into digital book entries to then be traded electronically. We are analysing whether there are any difficulties in this area, which we cannot say for certain at this stage.

Regarding to the second case, it is possible that connecting the Spanish and US systems in a more direct way than ADRs requires certain adjustments, not necessarily legislative, in order to determine the mechanisms to transfer securities that can be traded in the US. The scope of such adjustments, if any, is not fully defined in detail.

In any case, it is important to point out that, until today, the CNMV (and BME as well) had not received any expression of interest or any enquiry from issuers about the possibility of a listing of a Spanish company in the USA, while still having its securities registered in Spain. In other words, this case is new and unprecedented. All this considering that the recent amendment of the LMV (which has been under consultation and processing since May 2021) could have been an excellent opportunity to calmly analyse, discuss and, if needed, foresee the issue.

Just as we have amended (or proposed amendments) to improve a wide numbers of market rules in recent years, I have no doubt that, if this issue should be relevant to more issuers, both the infrastructure operator and the CNMV would identify what changes, if any, are needed to improve connectivity. This must be done by analysing the real demand for such a case and with the necessary legal strictness and establishing a dialogue with US counterparts, of course. It is not an issue to be raised or resolved in a few days.

I will end by saying that the Spanish stock market is not short of interesting issues. It is made to play a key role in the financing of the Spanish economy, if we manage to promote it and make it grow on a European scale, to complement bank financing that has so often been the monoculture of many important Spanish and European companies. I hope that at the next edition of this event we will have in place the improvements that are being discussed at a European level.

Thank you very much.