



Speech at Spain Investors Day

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Good evening.

First of all, allow me to thank the organisers for once again inviting the CNMV to participate in this event.

Spain Investors Day is one of the main forums where investors and issuers meet, and this appeals to the very essence of stock markets insofar as they allow direct contact between parties.

Stock markets have traditionally been one of the pillars of modern economies and should continue to be so. You have probably heard me say, on several occasions in recent months, that capital markets are one of the main tools we have to drive the recovery and transformation of our economy. I am talking about decarbonisation, but also about digitalisation.

Both issues require annual investment needs of historic levels in the Spanish economy: well in excess of an additional 30 billion euros per year in each of the remaining years of this decade. This requires the simultaneous support of four sources of financing: public funds, private equity, capital markets and bank financing. None of them alone, including the banking sector and the capital market, will be able to finance the volume of investment required by the Spanish economy. We need them all. But to a greater extent the capital market, as I will now explain.

There is a clear consensus in the European Union: European companies must raise more equity; they can no longer rely on traditional financing structures, based almost exclusively on bank leverage. European companies have 30% of bank liabilities on their balance sheets compared to 8%-10% for US companies. We must move towards a strategy of diversification of funding sources by adopting a greater balance between bank and non-bank financing, with both acting in a complementary and symbiotic way, never mutually exclusive. This is obviously not just me saying this. This is supported by the European Commission, the European Parliament and the Council.

European stock markets, including Spain's, have shown over the last two years their attractiveness in a difficult and complex environment. They have proven to be the fastest and most efficient way for listed companies, from the point of view of raising funds from investors, to manage crisis situations by strengthening their asset and financing structures. The ability of listed companies to strengthen their capital or borrowed funds in the worst moments of the crisis was far superior to that of unlisted companies. The same can be said of the alternative fixed-income market, which allowed many companies to issue bonds and notes in very difficult times. Moreover, they have been a tool to accelerate the growth and expansion of companies in those areas where the crisis did not hit so hard or even generated new opportunities.

We have a stable, efficient, deep and attractive market for investors. Our market is one of the major European markets and listing in Spain is equivalent to listing in any other major EU market. But unlike some of these markets, we suffer from a shortage of SMEs that resort to the growth market. To use a footballing example, there are about twenty teams in the first division of the football league, but many more in the lower divisions. This pyramid-shaped structure is not replicated in the Spanish stock markets: if we exclude the SOCIMIs (listed real estate investment companies), we have only 50 growing companies listed on the alternative market, compared to some 140 on the regulated market, and this proportion should be reversed in the coming years, making the base of the pyramid grow. We have to be positive, in any case. First, the number of companies listed on the alternative market has been growing moderately in recent years. Secondly, we have very successful examples of what it means for growing companies to be listed on an alternative market that allows them to develop to the point of accessing the main market. We must explain these success stories so that others will follow in their footsteps. And we must reflect deeply in order to encourage access to the market for this type of company, which is so necessary for our economic structure. And in this endeavour, we must join forces: the legislator (European and Spanish), the supervisor and the market operator have a lot to contribute.

Some recent regulatory changes are noteworthy, such as the so-called loyalty shares that facilitate the control of companies by their founders before going public or the development of specific investment vehicles that mitigate the risk of going public (SPACs). Nonetheless, more action is needed. We need to strengthen our market for listed SMEs, and this requires measures on a number of fronts, such as increasing market culture, promoting training and independent advice to companies on financing. It is also worth reflecting on how to target collective investment to SME markets, for example, by revisiting the daily liquidity needs of certain collective investment vehicles that can serve these markets. Either act by promoting greater access to the stock market for retail investors or develop possible tax incentives to make it more attractive for companies to be listed, because it is essential for the Spanish economy.

Some of these reflections are present in a European Commission initiative currently under consultation, called the "listing act". It is worth participating and influencing the

European regulatory debate, because it will affect the Spanish markets, and I encourage the various Spanish market players to do so. We at the CNMV intend to continue to be very active in this and I hope that Spanish issuers, intermediaries and markets will also be very active.

The highest standards of integrity, corporate governance and openness to foreign investment must also be maintained in our capital markets. Foreign capital will be essential in the period ahead and, from the investors' point of view, the market for corporate control, and thus the premiums that takeover bids allow shareholders to earn, deserves to be preserved. I am aware that many interests have to be weighed up in this area, and that it is up to the government to look after the general interest, but from the point of view of the stock market and the interests of shareholders and investors, international openness is a value in itself. Therefore, it will be positive that the normalisation of market parameters will allow for a normalisation of the control regime of foreign investments in Spanish listed companies.

The CNMV's preparatory work on a possible code of shareholder involvement (the so-called stewardship code), to increase the participation of large investors in the life of companies in which they hold significant stakes, also ties in with these matters.

I shall conclude now, but not before repeating a message that I consider to be fundamental. Capital markets are a great asset for the Spanish economy and their promotion, development and flourishing are a necessary condition for the transformations we need to address. It is up to all of us, issuers, investors, supervisors and authorities to seize the opportunities to encourage a market that is well regulated and supervised and that continues to compete with our peers and occupy a relevant position on the European stage.