



## Presentation of Afi's Book "35 Years of Spanish Economics and Finance" - 35th Anniversary

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Thank you for your kind introduction and welcome.

It is a pleasure for me to be a part of the presentation of the book "35 Years of Spanish Economics and Finance", which marks the 35th anniversary of the foundation of Analistas Financieros Internacionales (AFI for its abbreviation in Spanish).

35 years is a long time, so, although looking back can show a moment of nostalgia for all of us, it is useful to better understand why we stand where we stand. There are several relevant dimensions in this period, but today I will only focus on four.

The first one, in chronological order, was the amendment and development of organised securities markets. The CNMV is close in age to Afi, established with the Spanish Law on Securities Markets of July 1988, which brought on extensive reform to the securities markets. A year later (in May 1987), the book-entry transfer system was born and the law itself, de-mutualised stock market intermediation, giving way to the current stock exchanges and securities companies and agencies as known today.

The biennium 1987-1988 can be considered the "Big Bang" of Spanish securities markets, opening the doors of the national economy to finance and international investors. Since then, and over the following three and a half decades, the situation of securities markets and the general financial system has significantly changed. An important part of the transformation is mainly due to the market's development, along with an ongoing process of sophistication, but also to several financial crises along this period.

The capital market has been key in the financing of Spain's economic development in recent decades, and one of the main elements to the diversification of its funding sources. It is, also, one of the essential areas of supervision of the CNMV and, from Afi's standpoint, it gave way to one of the first steps in its client consulting activity: daily analysis, fixed income indices or advice activities on debt and hedging for public and private entities an issuer.

The second aspect is defined by internationalisation. Two years before the creation of the CNMV and the establishment of Afi, Spain became a part of the European Union (1986, EEC) and strived for liberalisation and the opportunity for international exposure, which implied a great challenge for Spanish companies and the securities market itself. The Spanish market, as it stands today, would not be understood without the international component, not only because it is one of the four major markets in Europe, attracting the interest of key international investors, but also because, from the point of view of financial regulation, since the 2008 crisis, the regulations have been developed in the EU, with a criterion of homogenisation and harmonisation, led by ESMA and EBA. Most of the new post-crisis financial regulations under our supervision are developed in the European Union, which requires close cooperation between the different supervisory authorities of markets under the coordination umbrella of the European authority. Additionally, the aspect of internationalisation has transcended to Afi's activity over the years, both in its client advisory activities with greater international focus, and from a business vision, through the development of an increasing number of projects in different geographical areas or even with direct participation in ESAs advisory bodies.

A third common pattern is related to the promotion of financial education. Knowledge of basic finance and financial products and services among Spanish citizens has increased significantly over the last three decades, while there is still a long way to go. The promotion of financial education is one of the CNMV's essential activities carried out by the Financial Education Plan, launched in 2008, and whose extended visibility is defined by the "*Finanzas para todos*" website. We sincerely believe that there is no client more protected than a client that is informed, even the effort only pays off in the very long term, which is why it is important to persevere and rely on supervision for short-term protection. Likewise, financial education has been a flagship since Afi's foundation, not only through its own financial school, which has contributed to sharing financial knowledge with thousands of students, but also through countless publications, books and documents.

The fourth aspect is related to the technological development we have been experiencing over the years. Technology applied to securities markets and the digitisation of finance is one of the most exciting and disruptive innovations in financial markets in the last 35 years. This has changed the way financial operations, information and even registration mechanisms and securities clearing work.

Thus, in 2016 the CNMV launched its Fintech hub and the sandbox, a space for technological testing shared with other sectoral supervisors (Bank of Spain and the Directorate-General for Insurance and Pension Funds (DGSFP)) and the Directorate-General of the Treasury, which provides a mechanism to carry out controlled and delimited tests that may assess the viability of new projects, technology, and business models.

Moreover, technology and digitalisation have, been a key element in Afi as an organisation, since its foundation, through the creation of specific business lines, such as the example of the 90's, when engineers, mathematicians and economists began to have conversations to meet the new needs and quant services the market demanded.

There is much more to add to this quick review of the main aspects and patterns that have influenced the evolution and development of stock markets. For example, slower, less shocking developments, such as the improvement in the corporate governance of securities issuers or the incorporation of women on the boards of listed companies, which today account for around 37% of the IBEX. In 1987, IBEX didn't exist, let alone female directors, excluding very few exceptions. That has also changed, for the better, as the book properly reflects.

But that is enough history/going down memory lane. We are facing several vital challenges that will take up long chapters of the 40th or 50th anniversary book.

The first challenge is the market's development. It may seem as I am repeating myself, but I am convinced that we will miss the opportunity to join green and digital transformation if we do not energise the equity market and attract more companies to the stock market. It is impossible for Spanish (and European) companies to receive the extra funding they need to finance this transition without significantly strengthening their own resources. The weight of bank financing in the balance sheets of Spanish and European companies must be distributed equally if they are to resemble united states companies. That is exactly what equity markets offer. Although private capital is good, it's not a stable mechanism in the long term which a company can trust ten or twenty years in, contrary to public capital markets. That is why it is worthwhile to move in that direction, as the European Union is doing with its project to stimulate the stock market.

The second challenge is in sustainability, resulting from the urgent need to change a fragile and largely self-destructive economic and social system. The European Union has taken the lead in building a regulatory framework for sustainable finance. The key, from a regulatory and supervisory point of view, is not to lead decarbonisation, a praiseworthy political and social objective, but allow the financial sector to not be an obstacle for decarbonisation and allow the information produced by issuers and consumed by investors to flow in a truthful, orderly and efficient manner. There is still much work to do in this area: we are creating new grammar, almost a language, spoken internationally, through projects such as the ISSB, but we are yet to define how verification or auditing will take place, what tools to use to avoid greenwashing, how to regulate voluntary carbon markets or how to address hundreds of practical issues regarding enforcement. We will also have to go over the syntax of S and G, which is just beginning but, in terms of impact and investor preferences, may be as relevant as the environmental sector. The risk-return pairing that we were taught in university no longer applies and we now have a trinomial: risk-return-impact.

The third real challenge corresponds to the digitalisation process which has already started. This process combines not only the emergence of new digital assets and markets, but also other elements that are changing markets. Some of them include the data industry and the application of artificial intelligence in the world of finance, with the ability to analyse the market in real time and generate predictions based on multiple variables.

Such technologies offer many advantages in terms of efficiency, time and cost savings and ultimately increased competitiveness. Nonetheless, the assets or tokens that dominated investor interests, or cryptocurrencies, are uninteresting and useless at a society level. The CNMV has been warning about their risks since 2018 and, unfortunately, recent cases have brought to light the deficiencies, hardships and limitations of many of said currencies. I hope that in a few years it will be in the past and we are talking about how to apply DLT or Web 3 to real financial instruments, or generally accepted cryptocurrencies, not “toy” tokens.

Hopefully we will do all this in a regulated environment. The MiCA regulation is about to be published and it includes a comprehensive regulatory framework for crypto-asset markets. I often hear or read someone “discover” that a regulation of the crypto-asset sector is urgent and necessary. The good news is that, for two years now, Europe has been negotiating this regulation and it is just weeks away from being published in the OJEU. Nonetheless, its implementation will take some time for two reasons:

- 1) An extensive set of regulatory standards (what we know as level 2 in the EU) needs to be defined, fully harmonised with the requirements of a cryptoasset provider in the EU, wherever it may be located;
- 2) The sector is not accustomed to being regulated and supervised, and I expect the issuing of the first licences and authorisations to not be an easy and painless process.

In the same way we are very critical of tokens as an investment, for a supervisor of dis-intermediated markets, as is the CNMV, these technologies are not a threat, but an opportunity. There are no hesitations or concerns regarding the change of the status quo, as the optimal status of a capital market is not to guard the interests or balance sheets of specific entities, but to minimise and make the intermediation between savers and borrowers easier by making it more direct and efficient.

I don't want to close my speech without saying a few words to remember Emilio Ontiveros. Obviously, Afi's path would not be the same without Emilio, but I would go so far as to say that the evolution of the Spanish capital market also owes much to the influence that Emilio had.

Personally, having spent exactly the first eleven years of my professional career at Afi, I have countless memories of Emilio. Many moments come to mind.

I recently mentioned at APIE's Tintero award ceremony, as I will say again and again, Emilio had something special, which is hard to find nowadays. He transferred such quality, as a professional and a human being, to a whole generation of Spanish economists that are lucky enough to have worked with him. Emilio was much more than that. He was an economist, teacher, spokesperson, analyst, consultant, writer, researcher, counsellor, editor and, for those of us who knew him, there was so much more we were unaware of.

His curiosity, energy, and tenor almost from another time, is, in my opinion, the inheritance he leaves behind, and the Afi and Emilio Ontiveros Foundation is, without a doubt, the vehicle that will allow the legacy to live on.

Thank you.