

CNMV EVENT – BME

“NEW METHOD FOR STOCK MARKET FLOTATIONS”

CARLOS SAN BASILIO, CNMV CHAIRMAN
21 May 2025

Good morning and welcome to all those attending this event. First, I would like to thank “Bolsas y Mercados Españoles” (BME) and its CEO, Juan Flames, for organising such an important event in these premises. I think this is the better place to present this new method for IPOs to the public than at the very Palacio de la Bolsa (Stock Exchange Palace) where we are gathered now, and which perfectly represents the market.

For over six months, two specialised teams from BME and the CNMV have been working hand in hand on a new method for admitting Spanish company shares to trading on regulated markets. Therefore, I must also thank the former Chair of the CNMV for their efforts in initiating this analysis and approach that we are presenting today.

The aim that we wanted to achieve was not simple: designing a system for admission to trading on regulated markets that would be simpler and more flexible than the current one and would eliminate, or at least diminish, its limitations.

Said goal is based on a broader reflection consisting of two core elements: 1) the current importance capital markets have and must continue to have for the economic development of Spain and the Spanish society, and 2) the need of incorporating more companies into our market, therefore building deeper and increasingly attractive markets for them.

The Spanish and European capital markets, especially primary equity markets, have not undergone a sufficient development over the last decade. The number of new companies resorting to markets in search of funding has plummeted gradually since the beginning of the financial crisis in 2008. To this decline in the number of listed companies, we must add the delisting of listed companies, in many cases due to takeover bids by large investment funds which, once concluded, have been withdrawn from the market. As a result of this situation, the weight of stock market capitalisation over gross domestic product is suffering a progressive decrease, with the market at risk of not being the long-term funding channel it should be.

In any way it is my intention to strain you with figures at such early hours, but allow me to provide you with three or four facts that clearly illustrate the current context:

- In 2014, a decade ago, the Spanish regulated stock market had 155 listed companies. Today, the figure stands at 129, which means 26 companies less: a 17%.
- In 2014, our stock market capitalisation in terms of nominal GDP proportion was 55.8%. Ten years later, it is 48% (similar to the German market and slightly higher than the Italian market). In contrast, in the United States, market capitalisation in terms of GDP proportion has increased from 140% to 213% in ten years.
- If we take a look at stock market trading (also as a proportion of nominal GDP) we can see a decrease from 77% in 2014 to 19% in 2024. In the United States, on the same timeframe, it has risen from 160% to 203%.
- In 2014, monetary capital increase from fundraising in our market amounted to more than 15 billion euros (almost 30 billion a year prior), while only amounting to 4.4 billion euros last year.

The lack of market development mainly relies on two factors: lack of liquidity, especially for companies off the radar of large international funds, and the existence of more appealing alternatives, such as venture capital.

This lack of liquidity is partially explained by the fragmentation of trading across multiple platforms and by the scarce participation of consumers in equity markets as a key formula to make their savings profitable in the long term. This is a fact for all European markets, insofar as the share of fixed income securities and listed equities in the asset portfolio of European households is only 7.5%.

In addition, our institutional sector (pension funds, insurance companies and investment funds) is relatively small and characterised by a lack of investment in corporate securities (equities and bonds). Only 2% of Spanish investment funds' total assets are directly invested in Spanish companies' shares and more than 50% in fixed income instruments. Investing in equities is, by definition, a long-term investment thereby achieving an expected return that has a long-term impact on the financial well-being of citizens.

However, the other fact holding back the scarce development of public capital markets is supply, exactly at the most crucial time for European economies. Stock markets must remain an essential part of the long-term funding mechanics for companies, especially considering the current circumstances.

A deeper public capital market with a larger number of companies provides stable and long-term funding that strengthens and solidifies companies' balance sheets and financial structure, while being compatible with other funding formulas. It also increases market transparency, facilitating access for less qualified or less prone-to-risk investors.

Increasing companies' census is what brings us here today and the motive behind this conference. Sharing with all attendees and market players a new method to allow companies to go public and help find the necessary funding for their growth. In short, sharing a new way of rethinking IPOs.

The traditional method for IPOs has essentially remained unchanged since the 1990s and not as a result of regulations, but of market practice. This method is based on a fundamental premise: proper trading (with sufficient liquidity) requires a prior placement with a large number of investors and a supervised document (prospectus) that must be available the moment prior to said placement.

This method entails significant limitations:

- It is highly sensitive to volatility episodes or geopolitical tensions. A key listing date is selected months in advance and all the necessary processes (promotion and investor meetings, prospectus approval, approval of accounts in accordance with international standards, etc.) converge on that date. Exposure to unfavourable market conditions is a potential risk that has resulted in several cases of failed IPOs. For this and other reasons, such as pricing, what we could call the 'success rate' of IPOs of our companies has been only 50% in recent years.
- This situation forces the verification of the prospectus to fit into a significantly reduced timeframe: between the approval of the most recent accounts (annual, half-yearly or corresponding to the first 9 months), the validity of the comfort letter (135 days), and the estimated date of placement and start of trading which, in turn, is determined by the so-called 'liquidity windows' which are the short periods of time in which the placement entities recommend the placement to be made, depending on market circumstances.

The purpose of the initiative we are presenting is to explore/rethink an alternative method of admission to trading to the traditional method that is already permitted by our legislation. An alternative that can also coexist with the traditional one to attempt a change at said limitations by reducing them, so that those companies that decide to go public through this method are not affected by liquidity windows or changes in the market situation.

Nowadays, it is possible to admit securities to the stock exchange without the required free float (currently 25%) provided that said distribution, pursuant to the CNMV's consideration, is already achieved within the market in the short term. The Listing Act Directive (published in October last year and to be transposed into Spanish national law by 5 June 2026) lowers the distribution requirement to 10%, allowing for exceptions within this threshold.

The need for boosting stock markets has led us to create a new system, details of which will be explained shortly. This alternative but complementary method, given that companies will be able to choose which path to follow at any time, will soon be submitted to the Executive Committee and the CNMV Board for approval of the corresponding Stock Exchange Circular.

However, before doing so, both BME and the CNMV have informally consulted said matter with market participants. A consultation process that finishes with today's event, where we still expect to receive opinions and potential suggestions to be assessed, and which could still be incorporated into the final proposal to be presented to our governing bodies in order to make it more attractive.

The new method for IPOs, which BME has named 'Easy Access', means reversing the traditional time sequence. In other words, the IPO would begin with the verification of the prospectus, followed by an admission to trading without distribution, following one or more ad-hoc placements – either through an IPO/Public Offering Prospectus or a sped-up placement, so that the company would decide the right time to carry out the placements a few weeks in advance (as opposed to months in the traditional method) during a previously defined period.

Leaving aside the details that will be described in the following presentations and in the subsequent discussion, steps to be taken by companies choosing this path to the market – and initially with a minimum capitalisation of 500 million euros – could be summarised in four simple steps:

- First: selection of advisors, submission of the corresponding prospectus and its verification and registration by the CNMV.
- Second: listing of the company on the SIBE, although trading would be limited to existing shareholders and institutional investors who could already enter the market through block trading. However, issuers may choose not to allow trading until sufficient dissemination is obtained. The company's listing on the SIBE requires compliance with all the obligations of a listed company on a regulated market without exception or delay.
- Third: the company will have a certain period, initially 18 months from admission, to launch one or more placement or capital increase processes on the market. If sufficient distribution is achieved, shares will begin to be traded in SIBE's general trading system.
- Fourth: 18 months after the initial admission, if sufficient distribution was not achieved, the CNMV would analyse the situation to assess the free float reached, the market circumstances and the company's intentions regarding the possibility of a distribution increase in the short term. An exception to the requirement, a deadline extension or an ex officio delisting could be agreed.

I will finish with this now, moving onto the most important matter, which is the detailed explanation of this new modality of access to the market.

This new initiative adds to other initiatives that, in order to implement the recommendations of the recent OECD report on the Spanish markets, will be adopted to regain the main role of our public markets: stock exchanges, as a central element that provides financing, liquidity, transparency and good business practices.

I am convinced that, with your help and the help of the stakeholders involved, we will successfully overcome the challenge of making the Spanish stock markets grow as a fundamental tool for the development of the economy.

Changing the current dynamics will require very ambitious decisions. Decisions that go beyond the scope of BME and the CNMV, and that will include legislative initiatives and will probably generate the appropriate tax incentives. The alternative would be to remain at the current trend, which would lead us, in a few years, to more skimpy, less transparent capital markets, lacking so much more in companies and investors.

It is necessary to rethink, reimagine and redesign policies for the development of securities markets. Because, quoting the statement incorrectly attributed to Einstein: “Insanity is doing the same thing over and over again and expecting different results”.

Thank you very much for your attention.