



Third Forum on Investment in Spain
IESE – Bestinver
Closing speech

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Good morning, many thanks to IESE, Bestinver and Europa Press for the invitation to close this event to present the Third Report of the Forum on Investment in Spain. It is a source of satisfaction for the CNMV to participate in the presentation of this diagnostic report on the state and characteristics of savings and investment in our country and it is also a satisfaction to be able to return to the parquet floor of this beautiful palace of the Stock Exchange, even if the acoustics have not improved over the years.

It is well known that one of the CNMV's main objectives is to improve knowledge of savings and investment in Spanish society by promoting financial education. Initiatives such as the one presented today allow us to obtain a diagnosis of the situation, which is all the more important at the present time, when we are facing important, and I would almost say historic, challenges.

Some of you have probably heard me speak in several speeches about the importance of the stock market in the context of the economic recovery and its link, as a financing tool, to the investments derived from the changes associated with sustainability and digital transformation. What were trends a few years ago are now realities that will change not only economic models and society, but also the habits of investors.

The Forum's survey shows, in part, this change in habits in the retail segment, insofar as one out of three investors state that they are aware of the criteria that qualify an investment as socially responsible. However, there is still a long way to go since, as the results show, 60% of respondents say they do not know whether they have ESG investments and only one in four say they do.

There is a clear consensus on the need to enhance the access of European and Spanish companies to the stock and bond markets. This need is a priority reference for the European Commission, which is why it has been promoting the legislative initiative known as the Capital Markets Union (CMU). In it, the European Union seeks to bring together two aims.

Firstly, to facilitate access to stock markets for new companies with innovative and disruptive business models, which renew the European business centre.

The second objective, which fits in perfectly with the purpose of the forum presented today, is to allow the access of new investors to the market, mainly retail investors, both directly and through professionalised and diversified collective investment

vehicles. And thereby improve the long-term profitability of savings for an increasingly ageing population, such as that of Europe.

Let me focus on this second target, that of retail investors.

A look at the characteristic features of savings and investment patterns shows that, to paraphrase the expression "Spain is different", we could say that "we are all very different", given the very different habits of investors in different European countries.

According to the Forum, Spanish savers mainly focus their investments on financial assets of different classes (57 euros out of every hundred invested) and place their remaining savings in real estate. Among the former, financial assets, the distribution of their assets is mainly centred on pension plans, investment funds and shares, while deposits, savings insurance and public debt stand out as less relevant investments.

Two elements stand out in this distribution of wealth, both of which have a common origin, driven by the current scenario of low or negative interest rates.

On the one hand, a significant decrease in the weight of bank deposits and, on the other, the emergence of investments in cryptocurrencies, mainly in the segment of younger investors with higher income levels.

These data confirm that the distribution of Spanish savings compared to other European countries has traditionally been very different. If we take the ECB studies as a reference, Spanish retail investors have systematically had a higher weight of equities in their investment portfolio than the average for the euro area, by at least five percentage points.

In Spain this ratio is 25%. In some European countries, such as Germany and the Netherlands, this ratio does not even reach 12% or 13%.

In the case of collective investment through investment funds, the differences are less significant, with an average in the Eurozone of around 10%-12% compared with a 15% portfolio weight in the case of Spain.

But the differences are very notable in the role of insurance and pension funds, which have accounted for more than 30% on average of the investment portfolios of other European countries in recent years, compared with a meagre 15% for Spanish investors.

There are some countries, such as the Netherlands, where this ratio exceeds 60% of retail portfolios.

The need to incorporate a greater role for retail investors in the securities markets is a fact that has been the focus of attention within the European Union.

In this regard, the European Commission has announced its intention to publish a strategy for retail investment no later than the first half of 2022. To this end, it has requested advice from the European Securities Market Supervisor (ESMA) for the development of such a strategy, as well as the appropriate adjustments to the legislative framework, focusing on three specific areas.

Firstly, with regard to the information to be provided to ensure that retail investors can make informed decisions, avoiding information overload and complexity, but at the same time providing adequate protection.

Secondly, in terms of digital information, with the aim of analysing how information and communications can work in a world where we are beginning to have users who only use digital channels to relate to their intermediary.

Questions arise such as whether it should be possible to show the customer a video explaining the product instead of handing them a file of hundreds of pages of information, or whether a mobile phone questionnaire managed by a machine, not a human, can replace certain tests on the customer's knowledge before investing in a complex product, or how can we ensure that the information available to the investor is just right, neither too little nor too much, considering the massive use of digital devices and especially laptops.

All these issues have an impact on investor information and protection. That is why it is so important that we find the "right key".

Thirdly and finally, this initiative aims to address some specific issues arising from the extension of digital tools such as direct access to direct trading platforms, robo-advisers or the exchange of investor-specific data between investment firms and third parties (what some call "open finance").

Given the importance and complexity of these issues, ESMA launched a call for evidence in early October. Next Monday we will be holding an open hearing on this very issue, which I will have the opportunity to chair. Now is the right time to hear the voices of those who have something to contribute to this debate to be heard at the right level, at the European level.

A greater involvement of retail investors in securities markets is necessary for the reasons I mentioned at the beginning of my speech, but it also means facing new challenges not only from the supervisory point of view, but also from the point of view of the whole financial ecosystem.

The digitalisation and development of social networks is a daily occurrence and allows for a constant exchange of information between connected potential investors. It contributes to a more compact and empowered financial community. But it also means risks.

In finance, the risks associated with the growing use of social media are the same as in the rest of society. They exist, and there are plenty of trolls and haters and gratuitous criticism of market participants, issuers and supervisors, who are also subjected to it. There are also financial influencers, who, in addition to the advantages they bring, also bring risks.

Thus, we occasionally come across investment advice that is nonsensical, given by non-professional users and that conceals conflicts of interest or contains elements that are directly contrary to the law.

I am aware that we securities supervisors are not the most modern group, nor the one with the best reach among the younger users of the population.

That is why we have to make an effort to raise awareness of our role and to disseminate the messages we produce warning of dubious investments or making recommendations on how to avoid non-compliance with the regulations applicable in certain markets.

Recently, for example, we have disseminated infographics, in a less formal tone than the one we normally use, to alert people to the dangers of making investment recommendations on internet forums or social media without respecting the rules that apply, even if they are not issued by professionals. And the dangers of following them and getting involved in episodes where you lose a lot of money or engage in questionable behaviour.

The other big issue of the moment is investment in cryptocurrencies by retail investors.

In the survey conducted by the Forum we can see how cryptocurrencies already appear among the preferences of some investors, with small percentages but mainly concentrated among those aged between 35 and 54 and in certain income brackets.

Supervisors are particularly concerned about the absence of substantive regulation, for example, to prevent anyone from manipulating the price of any of the hundreds of cryptocurrencies in the market, either through trades or false information. That is perfectly possible today. Or to prevent passwords from being lost or stolen when they are held by third parties.

Similarly, information about the risks associated with cryptocurrencies is often blurred or almost non-existent, lost among messages that talk about getting rich quick, just as in the mid-19th century gold rush in Northern California, where there were also miners, but of a different kind.

For all these reasons, it is important that the European regulation known as MiCA makes progress, and for this reason, at Spanish level, we at the CNMV are finalising the drafting of the new Circular on advertising crypto-assets, which is now in the final phase, the request for a report to the Council of State.

I would like to conclude by thanking the Forum once again for its excellent work in recent years, which has enabled us to discover and chart a clearer path to identify investors' preferences in relation to savings and investment.

Thank you very much.