

OECD Capital Market Review of Spain

Capital Markets for a Vibrant and Sustainable Spanish Economy and Corporate Sector

Recommendations overview

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Introduction

► Introduction

The report provides a holistic assessment of Spanish capital markets and contains policy recommendations by six different capital market areas, including the identification of 5 key recommendations.

On the other hand, the report also explicitly provides the following findings, as follows:

- 1 Over-reliance on bank financing and slim Market-based debt financing.
- 2 The domestic institutional investor sector in Spain is undersized and characterised by a lack of investment in corporate securities.
- 3 Low household savings allocation to capital markets.
- 4 Suboptimal use of capital markets by smaller companies.
- 5 Structural decrease in the number of listed companies on the Spanish public equity market.

► Introduction

In other words, the OECD generally identifies the **lack of dynamism and depth of the Spanish capital market as its main problem**. This is reflected in the following facts interrelated with the previous findings which pose several challenges:

Since 2000, there have been almost twice as many delistings as new listings on the main Spanish stock market.



Only 1.2% of Spanish public equity was held by domestic institutional investors.



SME companies face financing constraints and regulatory burden restricting them from making the investments needed to grow.



90% of Spanish companies' debt financing in 2023 was through bank loans while the Spanish corporate bond market remains underdeveloped, particularly for non-financial companies.



The Spanish household savings rate and financial assets are around half of that in most peer countries.

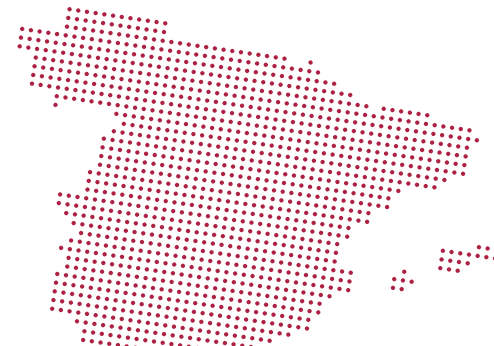


The OECD Mission

The OECD Mission emphasises that these challenges are interconnected and that addressing them requires a holistic and coordinated approach. The success of capital market reforms in Spain depends on a concerted effort by authorities, market infrastructure providers, and market participants to foster a more dynamic, diverse, and liquid capital market ecosystem.

► Introduction

The report formulates a total of **32 policy recommendations** to improve the Spanish capital markets functioning within six different areas:



01

Promoting conditions for stock market listing and trading

02

Creating conditions for SMEs to use capital markets

03

Increasing the role of institutional investors

04

Promoting household savings and capital market participation

05

Incentivising the use of debt securities

06

Optimising the use of sustainable financing instruments

▶ 02

Key recommendations

► Key recommendations

- ***Create a dedicated individual investment savings account***

- ***Increase the size of the occupational pension fund sector and by incentivising occupational pension savings***

- ***Remove the possibility of early withdrawals from pension funds (except for contributions made when this option was stipulated in law)***

- ***Introduce a tax allowance for corporate equity*** (along the lines of that provided in the EU's DEBRA proposal).

- ***Establish a public-private cooperation to promote the use of market-based financing among SMEs***

▶ 03

Timeline of recommendations

► **Timeline of recommendations**

By term



Short-term
Recommendations

Total:
14



Mid-term
Recommendations

Total:
14-15



Long-term
Recommendations

Total:
3-4

► **Timeline of recommendations**

Short-term recommendations (No. of recommendation)

► **01. Securities lending operations by CIS**

Finalise the process and consider extending to other vehicles (M.Econ).

► **04. Tax allowance in line with DEBRA**

For corporate equity, to remove the current tax bias (M. Economy).

► **07. Promotion among SMEs**

Establish co-operation (Ex.Op.; SPCap; Cha.of Com.; M.Econ.; CNMV).

► **10. CNMV fees flexibility**

To vary supervisory fees depending on firm size (M. Econ., CNMV).

► **14. Early withdrawals pension fund plans**

Remove the possibility (M. Economy).

► **21. ETF traspasos tax deferral regime**

Address the current operational complexities (M. Finance).

► **23. Individual savings accounts**

Create flex. investment opts & simplified taxation (M.Fin.; M.Econ).

► **02. Update BME operational system**

Accelerate to align it with SIX and other international ex. (BME).

► **05. Dialogue with business organisation**

Like CEOE/CEPYME with stock Ex. Op. (CNMV;CEOE;CEPYME; Ex.Op).

► **09. Removal of the transition obligation**

From an MTF to a regulated market (M. Economy).

► **11. Tax exemptions for non-residents**

To also cover MTF securities (M. Finance).

► **17. Limits for personal pension fund**

Increase the tax deductibility for contributions,(M. Econ.; M. Finance).

► **22. ELTIF tax regime**

Consider making the special tax regime (M. Finance).

► **29. Improve bond issuance process**

Undertake a review with respect to regulatory matters (CNMV).

► **Timeline of recommendations**

Mid-term recommendations

► **03. Assess minimum free float framework**

Its adequacy & the application of waivers (M. Econ., CNMV).

► **08. Extend research of SMEs**

Support research providers (CEPYME; BdE; M. Finance; CNMV).

► **15. Pension funds fees**

Review whether the limit unduly restrict their invest. opp. (M.Econ, DGSFP).

► **18. Self-employed workers contributions**

Allow tax deductibility to be calculated over several years (M.Econ; M.Fin.).

► **20. CIS vehicles targeted at inst. inv.**

Exception to the minimum number of participants (M. Finance).

► **26. Improve financial education***

Implement measures for young people & participate in PISA ass.(M. Edu.).

► **28. Credit rating for small companies**

Measures to support them in obtaining ratings(BdE; M.Fin.; CNMV).

► **06. Assess dual listing barriers**

Whether the existing create undue barriers (BME, CNMV).

► **12. Support AXIS funding for SMEs**

Taking advantage of the AXIS financing (AXIS Funds / ICO).

► **16. Pension funds contributions**

Decouple the limits on contrib. from the limits on tax deductible (M.Econ).

► **19. Insurance companies' restrictions**

Review whether regulations restricts investment opportunities (DGSFP).

► **24. Cap. gains tax declaration simplified**

Continue simplifying procedures and improve taxpayer assistance (M.Fin.).

► **27. Dedicated framework (small issuers)**

Consider establishing for issues by smaller companies (Ex. Op; CNMV).

► **31. Review of sustainable financing instr.**

With a view to ensuring their efficiency (Market Participants).

► **32. Ratings for green, social or sust. bonds**

Evaluate options to support companies in obtaining ratings (CNMV;M.Econ.).

**Also considered as a long-term recommendation*

► Timeline of recommendations

Long-term recommendations

► 13. Occupational pension funds

Consider policies to increase the size (M. Economy; DGSFP).

► 26. Improve financial education*

Implement for young people & participate in PISA asses. (M. Edu).

► 25. Capital markets promotion

Fin. Edu. campaigns informing on the benefits (CNMV; M.Edu.; M.Econ).

► 30. Promote sust. financing instr

Initiatives targeted at non-financial companies (CNMV; Ex. Op).

**Also considered as a mid-term recommendation*



