



Speech at Spain Investors Day

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Good evening.

Thank you very much for inviting me, once again, to participate in this forum.

European economies, together with the Spanish one, face two challenges regarding financing: one being circumstantial, with high levels of inflation and significant increases in financing costs; the other being structural, linked to the financing of investments associated to the transformation of their production models due to decarbonisation and digitalisation.

Both factors are compounded with economies that are traditionally reliant on banking services. In this case, the size and depth of the transformation requires a new balance in the sources of business financing, with own resources having a greater role to cope with the investments linked to these structural transformations. And the moment coincides with more expensive external financing, thus serving the necessary elements to reactivate the equity market, the stock market.

The Spanish securities market is one of the four largest European markets and being listed here is comparable to being listed in any other large market of the European Union. It is efficient, very solid and certainly attractive to investors, as proven by the fact that the great majority of investors in the Spanish market are international. However, the market must grow as we need more listed companies with regard to the size of our economy, which is also the case in other large European markets.

In the past few years, the Growth segment of expanding companies has been including new companies at a moderate pace, providing some successful examples of its subsequent move into the regulated market. But this is not enough, we need more companies in the stock market. And this aim brings together the efforts of the European and national legislators, the supervisor and the market operator.

In this area we face a difficult balance: achieving more lenient market access requirements while demanding compliance with certain key aspects that determine the core aims of the financial regulations. In other words, we must remain firm without

lowering our guard but also be more flexible, relaxing certain measures and requirements to stimulate the appeal of becoming part of the markets.

In Spain we have been performing actions in this aspects for the past 6 years. Regarding the CNMV, certain administrative requirements have been reduced to enable the access of new issuers. From among these measures, I would highlight one of the latest that consisted in the proposal, made to the government by the CNMV last year, to very significantly reduce the CNMV's supervision fees, the aim being threefold: 1) to guarantee the financial autonomy of the CNMV, so this can continue being financed without resorting to the State budget; 2) to adjust the amounts of the fees with the supervision costs, notably reducing our budgetary surplus; and 3) to boost the competitiveness of the Spanish stock market, reducing the associated costs.

This proposal is in addition to other measures already implemented such as:

- 1) The elimination of prospectuses in issues of promissory notes with maturity date under one year;
- 2) The simplification of requirements for admission of fixed-income securities, making the verification of the admission to trading possible directly through the market governing body, without going through the CNMV, therefore reducing costs and the time employed;
- 3) Filing quarterly accounts not being compulsory; and
- 4) More recently, as announced in November, the elimination of the need to include a series of documents (around a dozen) in the issuance prospectuses, matching the requirements with those of rest of the European supervisors.

At the European level, only a few weeks ago there was the publication of the European Commission's initiative to stimulate and facilitate flotation of more European companies on the stock market, called the "Listing Act", one which could be implemented under Spain's presidency of the EU, in the second quarter of this year. I believe this proposal is, in general, very appropriate as it addresses the main elements to achieve a very specific objective: to get more companies to consider being listed as a financing mechanism. From here I would like to encourage Spanish issuers, in particular Spanish companies not yet listed, to try to convey their points of view on this important reform to the European debate, in such a way its results serve the interests of Spanish companies and investors.

Previously I stated that there are some aspects in which the regulations should not be relaxed. I will now refer to four elements.

The first and most obvious is investor protection. The great question is how to cut down on information requirements or listing costs without dangerously reducing investor protection. I do not have a clear answer to this question but it surely is a debate that will dominate legislative discussions in 2023. Here there are issues such as the length of the prospectuses, the process of flotation on the stock market, the way in

which large and small issuers are differentiated for regulatory purposes, or the information investors should receive at each stage of the process.

The second aspect is determined by the fight against market abuse. The Listing Act includes several reforms regarding this matter, many of them positive, but it also considers a radical reform of the regime on insider lists of issuers, these basically disappearing. Regarding this, in my view, the last area in which we should save costs would be the prevention of market abuse. If I may provide a comparison, the intention to attract more companies to be listed by relaxing privileged information abuse prevention measures (such as the insider lists), would be like attempting to boost employment by reducing health and safety regulations at work, a dangerous path that would prove more costly in the long run.

The third element would be the information on sustainability. This is an essential aspect for investors, through adequate reporting of non-financial information by issuers. In this area, one in which Europe has become the leader, it would be difficult and unwise to slow down the pace or scrap the advances achieved, nor is this sought by the European Commission's initiative. What is essential, as insisted by the CNMV every time it gets the chance, is to ensure that the non-financial information required, both from a listed company and from a similar-sized company that is not listed, should be exactly the same. Currently it is and should continue to be, so as not to discourage the decision to be listed.

To conclude, there is a key aspect in which the room to manoeuvre is forcefully reduced is that of good corporate governance. This is the cornerstone of the relationship between issuers and investors and we must, therefore and without exception, seek the best international standards and become a role model regarding best practices. Good corporate governance is essential for the development and growth of the securities markets and the main tool, via the central role of independent board members, to ensure the best interests of all shareholders, especially minority shareholders. All shortcuts must be avoided here. The CNMV is very clear on this and will strive for the regulations and recommendations to advance in the right direction.

Also in relation to good corporate governance, we are working to encourage the implication of shareholders in the governance of companies, in such a way that these align their strategies with the interests of the shareholders. For this, in the next few weeks we will publish the final version of the code of good practice for institutional investors, called the Stewardship Code, that, in a voluntary manner and based on the "comply and explain" principle, allows for encouraging a long-term implication of shareholders in listed companies.

Let me conclude by saying that the Spanish securities market is second to none of the rest of the large markets and has proven to be an essential source of international financing for the Spanish economy. Given the historic financing needs we are facing, we are obliged to boost this, rethinking and redefining the requirements confronted

by listed companies, without dismantling the gains earned from years of collective effort and which have been essential for the functioning of the market. I hope we find the necessary balance to continue forging a more robust Spanish securities market and, in turn, a stronger Spanish economy.

Thank you.