



In favor of a more stock exchange-based economy

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Different media have spoken in recent days about the lack of stock market listings during 2019. This is a worrying phenomenon because an equity market with a critical mass, which encourages investors to invest in companies and enables companies to raise capital, is important for the financial system to fulfil its function effectively. It is the basis for businesses to be financed to a greater extent through the market and to be less dependent on bank financing and is key to a more resilient and better financing model for the economy from a financial stability perspective. In the United States, a particularly innovative economy that recovered much more quickly and easily from the financial crisis, direct financing in the market, by raising capital or issuing debt instruments, accounts for approximately half of the financing of companies; in Europe it is only a quarter, and our country is not among the leaders in this area. More listed companies also mean more transparent companies and even a somewhat more democratic society: it means that there are more companies within reach, either directly or through funds, for any investor.

Moreover, in these times of huge and growing importance of passive investment and institutional investment in general - of large fund management companies, including pension and sovereign funds - the most *stock-exchanged* countries, with most listed companies, where these have most weight, naturally receive greater investment flows.

The lean harvest of 2018 and the very poor harvest of 2019, prevalent in Europe and even more marked in Spain, most probably in part due to our complicated political life, has been due to various reasons. These include low interest rates, which make it easy to turn to other financing channels, and the pessimistic, end-of-cycle and uncertain environment, aggravated by factors such as trade disputes and Brexit. The final months of 2018 were very negative for equities and much of 2019 was dominated by a feeling of precariousness, although the year was overall good for investments in equities. To all of this, a structural factor has been added: the development of venture capital and private equity in general, one of the phenomena of our time, which in my opinion is extremely positive but which competes strongly with the option of going public, either as an alternative or by delaying it, both in terms of process and price. IPOs are complex, relatively visible and take at least six to eight months to complete, with the consequent uncertainty of what the attitude of potential investors will be on D-day (ask CEPSA). The entry into capital of or the sale to a private equity fund - and

there are very large ones capable of taking control or significant stakes in large companies - can generally be approached discreetly and quickly. Moreover, private equity pays particularly well, not least because it values easier the expectations of improved management, which private equity funds themselves promote strongly.

In any case, I believe that stock market listing - on the main markets or on alternative markets such as the Spanish MAB (Alternative Stock Market) - remains attractive and interesting for many reasons and that it will continue to be the option of reference in the long term for the most ambitious companies. Being listed broadens the possibilities of financing, boosts the level of professionalism and rigour in management, is an incentive to grow - a particularly important point in a country with too many companies that are too small - gives prestige, strengthens the brand, helps to attract and retain talent, etc. and, since it is compatible with maintaining control, is a very natural solution, after the first generations, for successful family businesses of a certain size. But you have to be a little brave and add some spice to your life, which is what real entrepreneurs are used to.

There is currently a general debate in Europe on the necessary progress, following Brexit, of the Capital Markets Union project and there is consensus that, as part of this, listings should be encouraged. There are many measures that can be taken: easing, without detracting from the necessary rigour, certain requirements and obligations arising from listing (although the current regime is already quite easy to use); supporting market entry formulas that are simpler than the formula of IPO generally used up to now, such as direct listings with subsequent dissemination; not applying only to listed companies disclosure duties or other requirements that it may be reasonable to impose on all companies; extending certain aspects of the special legal corporate regime for companies listed in the main market to small and medium-sized companies that decide to enter the alternative market; supporting those investing in the latter in the long term with intelligent tax incentives; correcting the bias in tax regulations in favour of debt versus equity financing, etc.

For a country like Spain, which must aspire to have an advanced economy that offers quality jobs and to consolidate itself as one of the leading countries in the European Union, encouraging more companies to float on the stock market must be an important objective.

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