



Speech at the closing of the Eleventh Edition of Spain Investors Day

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Let me start in English, since this is an international event, and then I will switch in a moment to Spanish. Thank you for attending today and thank you to the organisers for inviting me to participate in this forum, in what is actually my first public speaking engagement as Chairman of the CNMV.

Forums like this represent in a way the essence of capital markets. The ultimate aim of markets is to channel savings and transform them into investments. At either end of that process, we have investors looking for returns on their savings or companies or public administrations looking for capital or funds for their projects. Everything else, what is in between, is, to a certain extent, instrumental.

Do not misunderstand me: instruments are important for achieving the ends and indeed their proper functioning is vital for the market to function in a fair and orderly manner. Thus, intermediaries, collective investment scheme managers, trading infrastructure, analysts, clearing and settlement mechanisms, etc. are key parts of the process. But they are not the essence of the market and may change in the future. In such an intense digitalisation environment, nobody knows how the trading of shares will be done in 10 or 20 years, let alone the settlement of transactions or analysis.

It may be as it is now, or it may be done using decentralised technology, or perhaps robo-advisors will impose themselves on human interaction. Flows that we do not conceive otherwise today may be de-intermediated or the cash flows may be denominated in other currencies or new units of account.

Even supervisors may not be anything like we are today. But there will still be investors and entrepreneurs, and the savings-investment flow will still be the backbone of the capital market. That is why forums like this one are so important, to put investors in direct contact with borrowers or companies that raise capital from markets.

2020 has been a very complex year. There is no need to expand on the reasons, of which we are all well aware. For the second consecutive year, we have observed a severe lack of flotations and markets have experienced a clearly complex situation.

However, in my opinion, we would be wrong to conclude from this symptom that the diagnosis is that the Spanish capital markets lack depth and demand. Admittedly, there is investment interest in Spanish companies and borrowers.

The 5.8 billion euros in authorised takeover bids in 2020 bear this out. It is also proven by the fact that several listed Spanish companies achieved demand for very large capital increases, amounting to more than 7.7 billion euros. Among the three largest capital increases in Europe in all of 2020, two correspond to Spanish companies, which shows that there is both interest and supply of funds for our issuers.

The same applies to the extraordinary volume financed by the Treasury and other public borrowers in 2020, with very low spreads in historical terms and at rates close to zero or in negative territory. Or from private equity or venture capital funds, which have continued to flow to the Spanish economy this year. And one more example: BME Growth and the MARF (Alternative Fixed-Income Market) have allowed many companies to either go out into the market for the first time or to raise outside funds in very attractive conditions. In other words, there is demand for and interest in investing in Spain and the markets have continued to operate with relative normality in difficult times and allowing this flow.

The CNMV made a major effort in 2020 to speed up the verification processes for prospectuses, both for issues and for takeovers, which were completed in even shorter time frames than before the pandemic.

According to the information we have available, it is possible that in the coming months some Spanish companies will be encouraged to take the step of listing for the first time, bringing an end to a barren spell for stock market flotations.

In any case, the reasons for the shortage of flotations call for reflection. Firstly, the abundance of liquidity has provided an attractive, low-cost alternative for companies that require financing. Secondly, the extreme volatility of the market has made the conditions for the so-called window of opportunity to appeal to the market so changeable that the risk of placement failure was exceptionally high. Thirdly, some shareholders of companies that may be candidates for listing are naturally cautious about losing control and the increased information that a listed company is required to disclose, as should be the case.

However, none of these elements are specific to Spain and they are common to the European single market. In this sense we are no different from our environment.

A less quantifiable element that undoubtedly has an impact on the number of companies that go public is the profile of the projects and the entrepreneurs that lead them: if they are large enough, if they are internationalised, geographically diversified, if they are in growth sectors, if they are innovative projects, if they have, in short, the "quality" to awaken investor demand.

There we have a much deeper scope of action, since it lies in the demographics of Spanish business. But it is certainly worth emphasising because, as we see from the way other economic areas emerged from the great recession or are even recovering from the pandemic, access to a deep capital market can mean the difference between

prospering and stagnating. And, as we saw in Europe in 2011 and 2012, it is essential for companies to have financing channels that supplement banking ones.

For the capital market to operate efficiently, on the sides that make up investors and companies, different ingredients are required that have been the subject of recent regulatory and supervisory attention.

From the issuers' side, it is obvious that many are already adapting their policies to incorporate the sustainability dimension and trying to fit in with the objectives of shareholders, employees and clients. We also have a slow but steady evolution of corporate governance standards, again to better serve shareholders and society as a whole. This led the CNMV, as you know, to update the Good Governance Code six months ago, to which most Spanish companies have either already adapted or are in the process of adapting.

We also have recent rules on non-financial information, to open up to society a relevant part of the activity of companies that is not directly related to their financial profitability. In 2018 the CNMV began to analyse the information published and we plan to continue doing so, so as to increase its average quality and especially its consistency.

On the investors' side, there are many issues, but let me look at one in particular: in my opinion, it is necessary to combine the interests of wholesale investors (including collective investment) and retailers. Retail investors have always been very present in the activity of the CNMV, as we have an explicit mandate to protect investors in general, but even more so retail investors.

In this respect, we must be careful to seek rapid solutions to speed up market access for companies. Thus, in order to strengthen the European Capital Markets Union, three possible measures have been discussed in some forums: (1) boosting direct retail investment on the stock exchange; (2) easing reporting requirements for listed companies, either initial or periodic information; and (3) promoting access by SMEs to the disintermediated financing offered by the market.

Taken individually, they are all defensible and even advisable. However, speaking from the perspective of a country like ours, with a significant weight of retail investment in the stock market, well above the European average, our experience in such matters urges us to be cautious.

Encouraging retail investment to finance a significant part of access by new entrants into new sectors, and all this added to by a reduction in information available to investors, may seem a dangerous recipe if the three ingredients are not well balanced and weighed up. And here I believe that the collective management industry can make a great contribution, being in a way a "disintermediation broker", providing capacity for analysis, diversification and active management, which will be more necessary than ever in an environment like the one described above.

Probably the smartest and safest way to bring more SMEs and retail investors into the capital market is through the diversification and professionalisation that collective management offers, which could be stimulated by incentives, fiscal or otherwise, to align that investment stream with the needs of the Spanish and European economy as a whole.

Let me conclude by saying that we at the CNMV understand that, in addition to being a supervisor, we are also part of a system to enable capital markets to support the recovery process. We also understand that this process has to be compatible with a digital and sustainable transformation of the Spanish and European productive systems. From this perspective, and always prioritising the legal function that we have been entrusted with, we hope to maintain our contribution to that process and to the success of Spanish companies in accomplishing their financing needs.

Thank you very much.