



**BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD  
HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS,  
S.A.**

**10<sup>th</sup> ANNIVERSARY AS A LISTED COMPANY**

Madrid, 14 July 2016

**Address by the Chairman of the Board of Directors**

**Antonio J. ZOIDO MARTÍNEZ**

# **BME'S 10TH ANNIVERSARY**

I want to thank all of you for coming and celebrating this anniversary with us.

On such a special day, I would like to extend my gratitude to all the senior managers and all the staff working for the different Group companies, to whom I would like to thank, both personally and on behalf of the Board of Directors, for their dedication. I would also like to express my gratitude to all my colleagues on the Board of Directors, who, with their effort and sense of duty contribute to the Company's progress.

First, I would like to touch on a few of the main highlights of the past decade, particularly those that have impacted both BME's development and that of the securities market in general.

## Crisis and financing

Unquestionably, the focal point and heart of the vast majority of concerns, actions, reactions, relate to the financial crisis that began in 2007. There is still a great deal of major social-political outfall from the crisis even now, posing new challenges to the much-needed political and financial stability of our world.

Nevertheless, the first result or lesson learned from the crisis - many call a global recession - is that highly-leveraged funding has shown signs of entailing excessive, if not hardly controllable, risks.

More capital and less debt should bring the system back into balance and the markets themselves have taken care of much of this transformation process as an alternative and complement to more traditional funding.

A new funding model has begun emerging, although its definitive configuration is still some way off. In Europe in particular, the corporate funding structure is still supported by a highly unbalanced distribution between banks and markets.

That said, there are clear signs both in Europe (e.g. the *Capital Markets Union*) as well as in Spain (e.g. amendments introduced with the recent Business Finance Promotion Act, or *Ley de Fomento y Financiación Empresarial*) that corrective action is begin taken targeting the roots of the crisis.

Turning to the Spanish market, the creation in 2009 of the **Mercado Alternativo Bursátil (which has provided more than 3 billion euros of funding)** and the advent of the **Mercado Alternativo de Renta Fija (now with 24 issuers and over 2.2 billion euros)** are both indicators of financial trends that are benefiting from the lessons learned from the crisis.

In the same vein, the number **of rights offerings registered in the Spanish market** (1,265 in ten years, 126 a year on average, 3 per week) is an excellent achievement, not to mention the increasing weight of trading in shares of **mid versus large caps, from 24% of the total in 2006 to 32% at present.**

The figure that really illustrates the extent to which efforts are being made to achieve more balanced funding and bears out how wisely listed companies have adapted, not to mention the capacity and reliability of the instruments BME manages and makes available to them and the trust of international investors, is that over the past decade, the Spanish stock market **has provided more funding to companies than any other exchange in the world, with over 460 billion dollars**, according to data from the World Federation of Exchanges (WFE).

This figure is largely unknown, but extremely relevant and worth considering and studying for what it means to a medium-sized country like Spain in the global context, and to the value of some of our institutions.

### Regulation

Another major, but necessary task since the crisis began, has been to shore up confidence. Lehman Brothers' collapse in 2008 marked the beginning on an unprecedented period.

The OTC derivatives market underscored the prevailing lack of transparency at the time and the deficiencies of unregulated markets in the absence of mechanisms to allow for credible and transparent price discovery and dissemination in real-time. This situation triggered a regulation and financial oversight reform process, spearheaded by the G-20. The policy, regulatory, institutional and corporate challenge has been huge since then and will continue to be in the coming years.

**The creation of REGIS-TR, our Luxembourg-based European trade repository in a joint venture with Deutsche Börse**, is one way in which BME has responded to the new requirements. It has become the second most important repository after the DTCC in the US.

The Markets in Financial Instruments Directive, MiFID, which entered into force at the end of 2007, is being reformed, while upholding the principle of customer protection. However, the changes and technical requirements for stock exchanges and all market participants are considerable.

All actions taken by BME over these years have pursued a common objective: **to reinforce security, stability, responsibility and risk control.**

### Technology

Technology has been a key and necessary factor in achieving this objective. On the one hand, it has helped develop and upgrade securities markets so they can offer new products, shorten order execution time, handle a greater number of transactions and improve the response to customer and investor needs. On the other, it has adapted trading systems to the new policy paradigm.

With ongoing technological upgrades, we have put the Spanish Exchange on a par with the most advanced markets. Even its capabilities and reliability have

crossed borders, and foreign bourses, especially in Latin American, have adopted them in their stock markets.

A small figure of the solid trading levels reached evidences the importance of adequate IT support: **24 June featured the second largest number of daily trades in the history of the stock exchange (672,000)** -the largest was 16 October 2014 (675,000)- compared to a daily average in 2006 of 90,300 trades.

We have just recently concluded the first phase of the Reform of the Securities Clearing, Settlement and Registration System. The second is scheduled to be completed in 2017 and will connect Spain to *Target 2 Securities*, the pan-European post-trade infrastructure

By leveraging the best technologies, we are not only offering correct service, but also decreasing in implicit costs, which is crucial for the stability of any market: **the Spanish stock exchange, given its high liquidity, offers the best bid-ask spread in IBEX 35® stocks.**

### Trust

There is one figure that, in my opinion, is particularly significant and illustrates the interest in our market and the trust in our system. The internationalisation of the Spanish stock market since 2006, **which has raised the participation of non-residents in trading in equities from 58% to over 80% of the total.**

Despite the hardships, we have managed to keep the stock market among the main savings destinations of individuals. **Household participation in the Spanish stock market has risen over the past decade, ending 2015 at 24.4%.**

### Financial training

Another cornerstone of our strategy is financial training. A changing environment, with new products and different regulations, often requires cultural support.

Thanks to our commitment to financial training and culture, **BME Institute has had more than 51,000 students in the 10 years since the company was listed. Enrolment has jumped from 3,500 in 2006 to over 6,200 last year.**

### Performance

Turning to our performance indicators, BME is still an international benchmark. In cumulative terms, the **efficiency ratio, which measures the relationship between operating costs and revenues, improved to 29.6% in 2015, while return on equity remained at 40.9%**, against a backdrop of high financial solvency. Meanwhile, revenue not linked to trading volumes covered more than 117% of costs.

We are witnessing a financial revolution and BME shows that it is successfully adapting. We will continue on the same track, and we will devote attention, the way we always have, to situations that allow us to enrich all areas of our business, thus strengthening our value chain: funding, trading, post-trade, information and services. All this while upholding the management criteria we have put into practice, as they are right for our Company and for the market.

### Our shareholders

In my speech when we began listing in 2006, I said that, without leaving aside the traditional mission of the stock exchange of providing funding, providing investor protection, overseeing correct price discovery and transparency, we should take on a profile such as that of any other company, seeking to improve our business ratios and generating return for our shareholders.

Revenues are reaffirming compliance with this commitment and, with respect to shareholders, I would remind you all that we have paid out more than 1.5 billion euros in dividends during this time. **The TSR (Total Shareholder Return) of BME received by a shareholder who invested in our public offering attained 115% over these 10 years.**

BME has offered investors a high pay-out of over 90% in its decade as a listed company.

We continue on the path towards a modern, efficient, secure, credible and transparent market, just as when we made our debut 10 years ago. There are still challenges ahead and work to do, but we have the ability and willingness necessary to get there.

Thank you very much for your attention.