

PROFILE

Juan Fernández-Armesto

An advocate for the people

In the week that Juan Fernández-Armesto took office as Spain's stock market regulator, Endesa, the government-controlled electricity generator that accounts for nearly 10 per cent of the Madrid Bolsa's capitalisation, conducted agreed take-overs of two regional utilities in transactions valued at Pta200bn (\$1.3bn). The mid-October 1996 power deals were to test the mettle of the new chairman of the Comisión Nacional del Mercado de Valores, CNMV.

Endesa's share price had started to climb sharply following a report by *Expansión*, Spain's leading business paper, that the generator was poised to increase its equity in Sevillana and Fecsa, the two regional companies where it controlled 40 per cent and 49 per cent of the shares respectively. Mr Fernández-Armesto rang Endesa to ask whether the report was true and he was told that the power group neither planned nor intended to launch take-overs. Four days after the telephone call the government announced the transactions that *Expansión* had reported and which Endesa had denied.

Mr Fernández-Armesto, ordered the CNMV to initiate proceedings against Endesa alleging that the power group had misled the regulatory authorities. In May, satisfied that a serious irregularity had taken place, he fined Endesa Pta300m for withholding market sensitive information from the commission.

A month later it was the turn of Banco Bilbao Vizcaya, BBV, the big banking group, to face the regulatory rigour of Mr Fernández-Armesto. A parallel CNMV investigation had established that the bank, which was a significant shareholder of Sevillana and backed Endesa's bid for the regional

generator, had made a gross profit of Pta35m by trading some 1m Sevillana shares ahead of the take-over.

Mr Fernández-Armesto publicly reprimanded BBV and fined the financial group Pta85m for failing to maintain "Chinese walls" between its corporate finance and broking arms. He also ordered the bank to inform the commission, over the following year, of all share purchases it might make in listed companies through third parties.

The arrival of Mr Fernández-Armesto to head the CNMV for a four-year, renewable, term could not have been better timed. His zealous pursuit of market transparency has come at a time of massive public offerings under the government's privatisation programme and the consequent onset of "people's capitalism".

Mr Fernández-Armesto, a contemporary and friend of prime minister José María Aznar, represents the breed of highly qualified and business-friendly professionals that the centre-right Popular party has appointed to top posts.

A member of a wealthy newspaper-owning family in Galicia - his father was a distinguished journalist and his mother a conservative member of parliament - he was a senior partner in a big Madrid law firm where he had a reputation as an expert on Bolsa listings.

The government, in its drive for wider share ownership, has introduced fiscal breaks for stock market investors and equity funds and one of Mr Fernández-Armesto's priorities is to encourage listings by small and medium-sized businesses.

Already he has gained from the economy ministry an agreement that allows the CNMV to waive restrictive criteria for the authorisation of initial public offerings.



Juan Fernández-Armesto

Previously, companies planning an IPO had to show profits and pay dividends in the two years prior to the listing or during three of the previous five years. Under the new rulings the stock market commission can set these measures aside if it is satisfied with the earnings potential of a Bolsa contender.

In his bid to establish a more flexible, broader and more responsive Bolsa, Mr Fernández-Armesto is now preparing more deregulatory moves that will include new guidelines on minimum capitalisation and free-float requirements for listed companies.

This liberal and market-orientated approach co-exists with a determination to introduce tough rules on disclosure and to ensure that transparency is the norm rather than the exception. Mr Fernández-Armesto is, accordingly, one of the most enthusiastic sponsors of a government-appointed commission currently drawing up corporate governance rules for domestic businesses.

Some 2m Spanish small savers are estimated to have invested in the bolsa in the past year's privatisations and Mr Fernández-Armesto casts himself in the role of their guardian.

He understands that if "people's capitalism" is to work the interests of minority shareholders must be strictly safeguarded. The core shareholders and board members of Spain's top companies all too often tend to ignore them.

Tom Burns