

## MARF could offer SME lifeline

Spanish banks continue to restrict lending, but a new fixed-income structure could provide an alternative source of funding



Gloria Hernández Aler

In Spain, bank loans have long been the preferred option for small and medium-sized companies (SMEs) looking to increase their liquidity. Since the financial crisis, however, banks have reined in lending, leaving SMEs vulnerable. Pressure has grown from the EU for Spain to diversify its financing solutions beyond just bank debt to boost the economy with the recently-launched Alternative Fixed-Income Market (MARF) the latest initiative.

Gloria Hernández Aler, Banking and Finance Partner at Deloitte Abogados, explains that MARF was launched in 2013 as part of the Spanish Stock Exchange, where SMEs issue fixed-income securities to secure debt. "The market is more flexible and less regulated than the equity exchanges and the securities can be priced lower than bank debt, making it an easier and cheaper alternative."

In the case of savings, it has been estimated that the cost of issuing a security is around three percent of the value of the issue. Likewise, fixed-income returns

provide more stability for investors.

MARF, however, is not targeting distressed businesses but companies with good balance sheets that require liquidity. Such companies have struggled to find funding because of the difficulty in accessing bank lending, says Hernández Aler. MARF is also targeting Spanish and international institutional investors, such as pension or investment funds, to generate capital.

MARF is still in its infancy and a great deal will depend on the price of the securities for the issuers as well as the yields for investors. Hernández Aler cites the Mercado Alternativo Bursátil (MAB), the junior equities market launched in 2008, as an example of a secondary market that did not have the success expected. "MAB did not perform as well as expected and the fact that some firms ended up in insolvency did not help the market," she says. "It is early days, but few Spanish SME companies issue bonds so, if the lending market does not improve, MARF is an attractive option."

## Securities transactions show new confidence in Portuguese assets



Pedro Cassiano

Renewed market confidence in Portuguese assets has been demonstrated by the fact that the first significant asset-backed securities transaction originated with banking assets in the country since the start of the financial crisis was successfully placed in February. Originated by BANIF, €437m of bonds related to loan portfolios for small and medium-sized enterprises were arranged and placed internationally by StormHarbour and BanifInvestimento in a deal called Atlantes SME 3.

For Pedro Cassiano and Paula Gomes Freire, Partners at Vieira de Almeida – the Portuguese law firm that worked on the transaction – the fact Atlantes SME 3 comes shortly after the Volta transaction in 2013, is a positive sign.

"These transactions not only demonstrate how asset-backed securities can enable a jurisdiction like Portugal to gain access to the market in difficult times, they signify the renewed confidence of the markets in Portuguese assets," Cassiano says.

And while Volta achieved the successful placement of Portuguese energy generation tariff deficits – thereby demonstrating the relevant pools and pipelines of receivables from many sectors of the economy that could take advantage of the resurgence of the asset-backed world – what is of significance to Gomes Freire is that the greatest number of these transactions are still originated by banks. "They are essentially the sellers, the ones signing the portfolios for asset-backed transactions," she says.

Cassiano and Gomes Freire believe this kind of transaction has potential for Iberia as a whole as it shows that – in a harsh environment – a small bank, recently recapitalised by the state, with a very demanding asset type such as loans to SMEs, can access the internal markets. Cassiano concludes both Spain and Portugal will access the markets more often, though transactions must be more robust to please investors.



Paula Gomes Freire