

# MARF COULD OFFER SME LIFELINE - DELOITTE ABOGADOS

Posted on 22/04/2014



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

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."