



Tema 3 - Mercados

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Derecho de los Mercados
Financieros y Concursal

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¿De qué vamos a hablar hoy?

- **Mercados financieros**

- Conceptos básicos
- Mercados primarios y secundarios
- Regulación vs. Supervisión
- Bolsas y mercados
- Particularidades sobre mercados de renta variable
 - ¿Qué son las acciones?
 - Oferta pública de venta (OPV)
 - Oferta pública de adquisición (OPA)

- **Agentes que intervienen en los mercados**

- Empresas de Servicio de Inversión
- Inversión Colectiva:
 - Fondos de inversión
 - SOCIMIs y SICAVs
 - Capital Riesgo

Markets & financial assets

Remembering from first day:

What is a market?

- is a place,
- where products (or services) are **traded**,
- between buyers and sellers,
- that has **rules**,
- and **agents** that help.

Value and price

The need of rules: *to protect investors, maintain fair, orderly, and efficient markets... and operating rules (ex: to become a broker or Initial Public Offers IPOs).*

What is a financial asset?

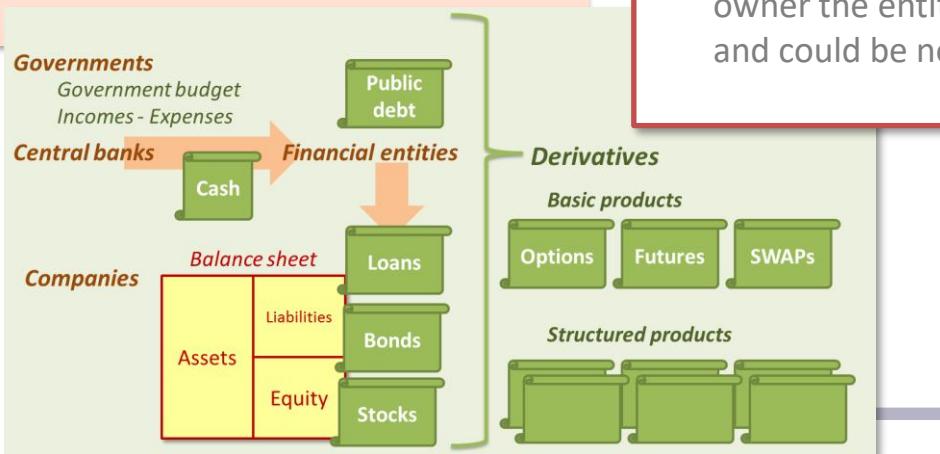
- A **financial asset** is an **intangible asset** that derives value because of a **contractual claim**.
- Main three characteristics: **Return, risk and liquidity.**

A financial asset is any asset that is:

- Cash and equivalent,
- Equity instruments,
- Contractual right to receive cash or another financial asset from other part.
- A contract that will or may be settled by its owner the entity's own equity instruments and could be non-derivate or a derivate.

(See IAS 32 at Moodle)

RISK



Capital markets regulation

- The European Passport (1996). A system which allows financial services operators legally established in one Member State to establish/provide their services in the other Member States without further authorisation requirements.
- Investor protection as the main objective of capital markets regulation
- **Ley 24/1988 de 28 de julio del Mercado de Valores**: a comprehensive reform of Spanish capital markets. This law introduces:
 - The establishment of the **SCLV**. The representation of securities by book entries was the main reason behind the establishment of the SCLV.
 - Establishment of the **CNMV as the capital markets supervisor**
 - **Sociedades Rectoras de las Bolsas** are established, one for each Bolsa (Madrid, Barcelona, Bilbao and Valencia)
 - The **SIB** is created. The SIB is an electronic platform which connects the four markets. It is regulated by the Sociedad de Bolsas
 - Agentes de Cambio y Bolsa are replaced with **Sociedades and Agencias de Valores**
- Law 37/1998 amended the 1988 rule and **allowed credit institutions to operate in the Stock Market** performing the same activities than the Sociedades and Agencias de Valores

Markets & financial assets

- **Primary Market.** A market that issues new securities.
- **Secondary Market.** The market in which previously issued financial instruments are bought and sold.

Have we seen any example in class?

Yes, public debt market. While primary market rules through an auction system, in the secondary market, financial assets are directly traded between parties. Both are supervised by Banco de España.

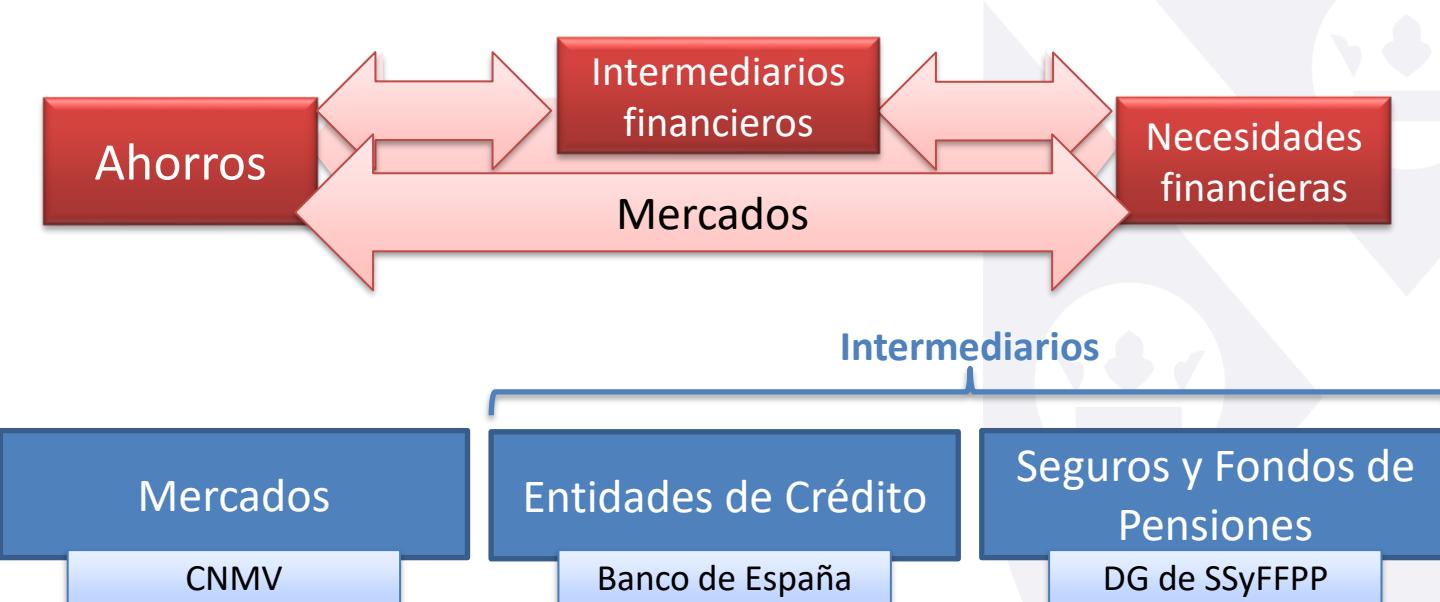
Financial assets traded on Capital Markets:

- Equities
- Pre-emptive rights
- Bonds
- Promissory notes
- Mortgage notes
- Securitization bonds – Asset Backed Securities, Mortgage Backed Securities
- Convertible Bonds
- Warrants and other derivatives like Options and Futures
- Sovereign Debt, etc...

Main Spanish Secondary Markets:

- 4 Bolsas and Sociedad de Bolsas: trading of equities (+ warrants, ETFs, etc.) and some fixed income
- AIAF: fixed income market
- MEFF: Futures and Options
- The Sovereign Debt Market

Recordamos: el sistema financiero



¿Quién supervisa qué?	Entidades de Crédito	Mercados	Compañías aseguradoras
Banco de España	Prácticamente toda su actividad es supervisada por el BdE salvo que...	...el mercado interbancario y el de deuda pública.	
CNMV	...trabajen como ESIs...	La CNMV supervisa todos los mercados excepto...	...salvo que trabajen como ESIs.
DG de SSyFFPP	...o vendan seguros o fondos de pensiones.		Las compañías aseguradoras son supervisadas por la DG de SS y FFPP...

Recordamos: La CNMV

CNMV (Comisión Nacional del Mercado de Valores). Competencias

Financial assets markets

- Stock market
- Public debt (national issues performance and supervision is competence of Banco de España)
- AIAF: Corporative debt.
- MEFF: Option and futures
- MEFF: Option and futures of companies

The purpose of the CNMV is to ensure the **transparency** of the Spanish market and the **correct formation of prices** in them, and to **protect investors**.

Investment services companies

- Sociedades de valores (brokers and servicers that can operate on their own – they can buy)
- Agencia de valores (brokers and servicers that can not operate on their own)
- Portfolio management company (they can only do portfolio management)

Credit institutions

- EU and non EU investment services companies.
- Spanish credit institutions
- EU credit institutions
- Non EU credit institutions

Credit institutions give also investment services.

Other financial institutions

- Collective Investment Institutions
- Sociedades y fondos de capital riesgo (Venture Capital and Private Equity)
- Securitization funds (Gestoras de fondos de Titulización)
- Investment guarantee funds

CNMV (Comisión Nacional del Mercado de Valores)

- The CNMV is a **public entity** in charge of:
 - Market transparency
 - Investor protection
- **What entities are subject to CNMV's supervision?**
 - “Sociedad de Bolsas” and “Sociedades Rectoras de las Bolsas”
 - SCLV – clearing and settlement (Iberclear)
 - “Empresas de Servicios de Inversión”
 - Asset managers
 - Credit institutions when operating in financial markets
 - Issuers
- **The CNMV is also in charge of the correct functioning of the primary and secondary markets (except Spanish sovereign debt and interbank market):**
 - Filing prospectus of new issues
 - Regulation and decision making about IPOs, takeovers, etc
 - Information to investors and market statistics
 - Privileged and non-public information

La importancia de las plataformas

¿Qué tienen en común las siguientes empresas?

- **REE** (Red Eléctrica de España)
- **ENAGAS** (Empresa Nacional del Gas)
- **CLH** (Compañía Logística de Hidrocarburos)
- **AENA** (Aeropuertos Españoles y Navegación Aérea)
- **ADIF** (Administrador de Infraestructuras Ferroviarias)
- ...
- **BME (Bolsas y Mercados de España)**

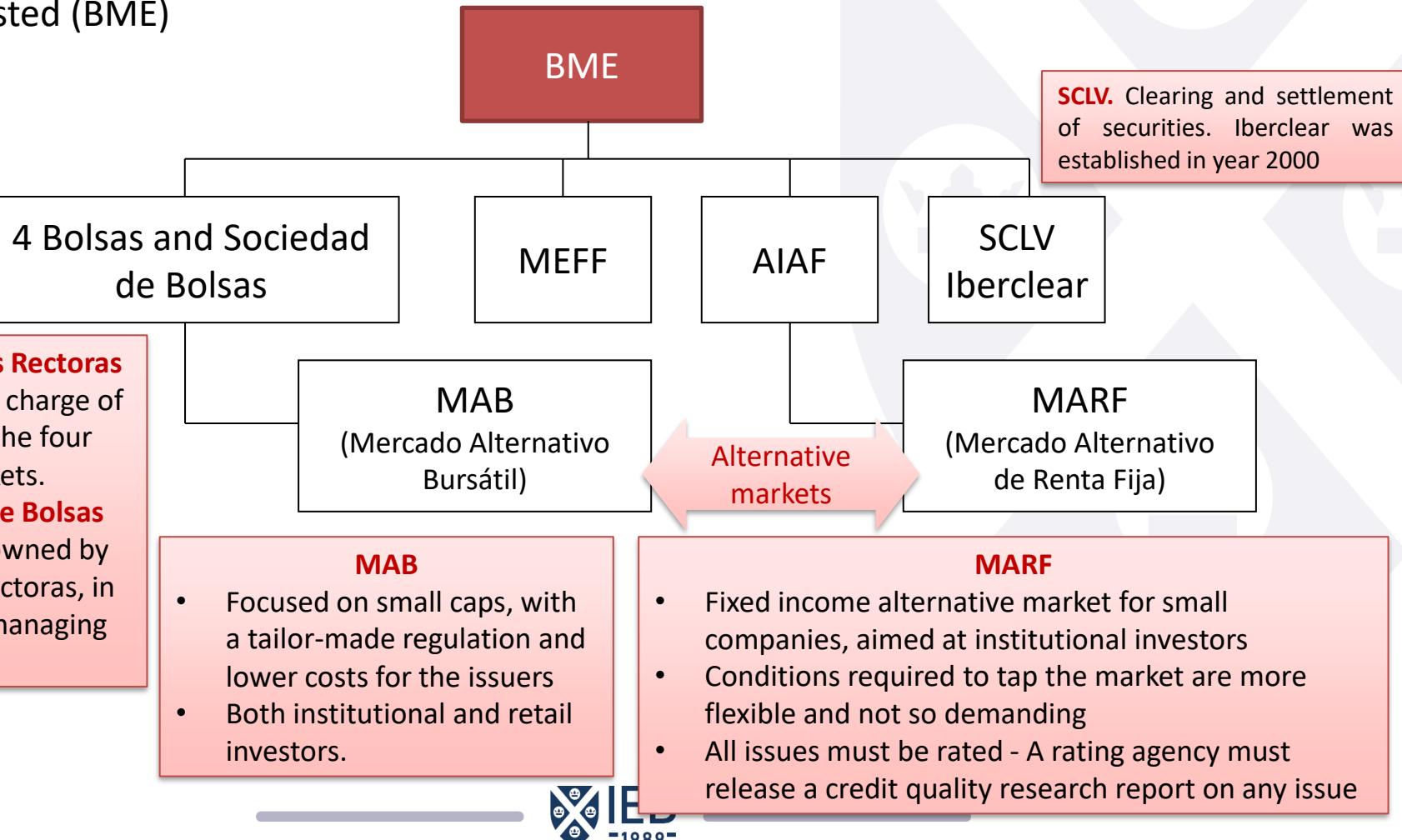
Grandes Gestores de Infraestructuras

- Sociedades anónimas
- Sectores regulados
- Monopolios naturales – economías de escala
- Plataformas que dan servicio a terceros

Bolsas y mercados españoles

In 2001 all markets were integrated under a new holding company which was listed (BME)

Madrid
Barcelona
Bilbao
Valencia.



Bolsas y mercados españoles

AIAF

- Fixed income market aimed at institutional investors
- Traded securities: bonds, promissory notes, mortgage notes, securitization bonds, etc.

MEFF

- Active since 1989
- Equity options, Ibex-35 options
- Equity futures and Ibex-35 futures
- MEFF performs the role of a clearing house. Trades executed on regulated futures exchanges are guaranteed by a clearing house. The clearing house becomes the buyer to each seller, and the seller to each buyer, so that in the event of a counterparty default the clearer assumes the risk of loss. This enables traders to transact without performing due diligence on their counterparty

Equity markets

- Shares grant both political and economic rights:
 - Ownership
 - The right to vote
 - Dividends
- New shares can be issued:
 - At par
 - At a premium
 - For free
- **The Preemptive Right** is born when the decision is made to increase the share capital and allows shareholders to get a number of new shares proportional to the number of old shares that they already own. Thanks to this mechanism, the old shareholders may avoid dilution.
- Rights are traded only over a limited period of time
- What can old shareholders do?
 - Exercise their rights in order not to get diluted
 - Sell their rights in the market for cash, which means that they will get diluted
 - Tail Swallow: sell some and use the cash raised to take up the rest of the offer
 - Sell only part of their rights

Equity markets – Primary market

- Reasons for an IPO (Initial Public Offering - OPV):
 - Financing,
 - Liquidity,
 - Public image,
 - Family wealth planning, ...
- IPOs are usually designed by investment banks and follow several stages: General Assembly Agreement, drafting of the documentation – Prospectus, etc-, reporting to the CNMV, price setting, etc
- Initially, a price range is set
- Once the bookbuilding process is finalized, the final price is fixed
- There are usually two tranches – for retail and institutional investors
- Please refer to specific document on IPOs

Equity markets – Secondary market

- Two markets in Spain: “Mercado de Corros” (Open Outcry) and “Mercado Continuo” (electronic trading)
 - Mercado de Corros: traditional market which was in place when Law 24/1988 came into force. Trading in this market is marginal nowadays and has been vastly replaced with the “Mercado Continuo” or SIB – an electronic trading platform-
 - Mercado Continuo (SIB)
- An electronic platform connects the four Spanish markets: Madrid, Barcelona, Bilbao and Valencia
- Types of trading:
 - General Trading: opening session, normal trading and closing
 - Orders only not trade
 - Block Trading: large blocks are traded among institutional investors

Equity markets – Take overs (OPA)

RD 1066/2007 27 July

- A takeover is compulsory if political control – in terms of voting rights- is reached. If the obligation to launch a takeover is not met, then the political rights cannot be exercised.
- The takeover must be launched within one month after control has been reached and must address ALL shareholders. Control is reached when:
 - 30% or more of voting rights are held or
 - the number of appointed Board Members exceeds 50%
- Takeovers must be launched at a price equal to or higher than the highest price paid by the bidder over the twelve-month period prior to the takeover announcement.

Equity markets – Take overs (OPA)

- Takeovers must be filed with the CNMV
- Bidders must provide guarantees when launching a takeover:
 - If the price is paid in cash, either a bank guarantee or a deposit are required;
 - If the price is paid in stock, such stock must be readily available.
- A Prospectus must be prepared when a takeover is launched.
- The target company must prepare a detailed report about the takeover, including pros and cons
- The management team of the target company may look for another bidder (“white knight”). The new bidders will have to increase the offer price or alternatively expand the reach of the offer to new shareholders
- Takeovers are irrevocable but conditions can be improved

Empresas de Servicios de Inversión

- If you want to invest in capital market securities, you can either use credit institutions (banks, savings banks...) or **Investment Services Companies (ISC)**. Three types of ISCs are:
 - **Sociedades de Valores (SV)**. They can trade on their behalf or on behalf of third parties, they can underwrite issues and finance long positions
 - **Agencias de Valores (AV)**. AVs can only trade on behalf of third parties. AVs cannot either underwrite any issues or finance long positions
 - **Sociedades Gestoras de Carteras (SGC)**. SGCs can only perform portfolio management activities according to the guidelines set by their clients on the management contracts

ISC must meet minimum capital requirements. Additionally, SVs and AVs must join the **Fondo de Garantía de Inversiones**

FOGAIN – Fondo de Garantía de Inversiones.

System to protect the financial investors (as FGD for deposits) in case: established to compensate to those clients of any of the adhered entities in respect of which the following occurs:

- The adhered firm becomes insolvent
- The investor is not able to recover what he put at the disposal of the adhered investment firm

Subject to supervision by CNMV

Maximum compensation quantity in Spain: €100.000

Empresas de Servicios de Inversión



Renta 4 compra una ficha bancaria a Banesto por 15 millones de euros

Renta 4 ha recibido la autorización del Banco de España para adquirir el 100% del capital del Banco Alicantino de Comercio a Banesto.

([link: 07-02-2011](#))



	Market share – Bolsa
BBVA	18.3%
Sabadell	9.5%
Santander Investment	7.9%
Morgan Stanley	6.8%
Merrill Lynch	6.4%
Société Générale	5.8%
Credit Suisse	5.7%

Source: BME

https://www.youtube.com/watch?v=MwKYjZ_8Ec

Collective Investment Schemes (CIS)

- Mutual funds made their first appearance in Spain during the 1980s.
- Investment funds in Spain set up as CIS can be established under numerous legal business forms. There are three main categories, comprised of the following:
 - **Financial CIS**, which can take the form of a legal entity registered as an open-ended company with variable capital or as an investment fund;
 - **Non-financial CIS**, registered as closed-ended real estate investment company or a real estate investment fund;
 - **Private Equity CIS**, registered as private equity investment companies or funds.

Legal framework

- First two group of entities, which can be registered either as companies, either as investment funds, are regulated by the same law, the Collective Investment Act.
 - Act 35/2003, of 4 November, on Collective Investment.
 - Act 11/2009, on Sociedades Anónimas Cotizadas de Inversión (SOCIMIs)
 - Act 22/2014 of 12 November in respect of private investment entities, other collective investment entities of a closed-ended type and their managers.

Financial CIS – Investment fund

- A mutual fund is a pooling of assets **without legal personality**. This pool is made up from the individual contributions of a variable number of people (unitholders). The lack of legal personality means that mutual funds have to “interact” with their environment (unitholders, intermediaries, markets) through a management company and a custodian entity. The functions of both are clearly defined:
 - **The management company** takes the investment decisions and exercises all administrative and representative duties relating to the fund. Among its obligations is to draw up a **prospectus** setting out the fund’s characteristics.
 - **The custodian** is entrusted with the safekeeping of the fund’s assets (securities, cash), and with overseeing some aspects of the manager’s activity on behalf of unitholders.
- The basic investment measure is **the unit**. And its price or market value is net asset value, arrived at by dividing the **fund’s total assets less expenses and fees** by the number of units outstanding at a given time.

The manager and custodian debit the fund directly for management and custody fees, so these are already subtracted from the return that the fund and, therefore, the investor earns. Also, the management companies of certain funds may charge unitholders directly for buying and/or redeeming units.

Financial CIS – Investment fund

- **Types of funds**
- The Spanish market offers a wide choice of mutual funds that we can classify using different criteria. Perhaps the best yardstick for individual investors is the fund's investment policy **as defined in its prospectus**, since the assets it invests in are what will ultimately determine the degree of risk assumed by unitholders.
 - Depending on the asset it invests: bond or equity funds (balanced funds: part and part).
 - Global funds: do not have a precisely defined investment policy, so fit none of the above categories. They are under no requirement to maintain a set percentage of fixed-income or equity assets, or a predefined exposure to currencies or geographical markets. Some global funds are extremely high risk propositions.
 - Umbrella funds: Involves the opening of two or more sub-funds, each with its own investment policy, fees and expenses schedule, etc. Sub-funds, in turn, can issue different classes of unitholdings subject to different fees.
 - Linked to a given benchmark (Euribor, IBEX35...)
 - Alternative investment funds (Hedge funds).
 - Guaranteed funds

Financial CIS – Investment fund

- **Guaranteed funds.** They assure unitholders at least the protection (total or partial) of their initial investment over a given time period.
- **Guarantee conditions. Liquidity restrictions.** Guaranteed funds have a recommended investment horizon coinciding with the term over which they guarantee the preservation of capital (usually set between 1 and 6 years on, depending on the fund). Think twice if you may need the money before the guarantee expiry date.
- **Guaranteed funds structures:**
 - **Standard.** The return is considered as if we invested directly in an underly asset or benchmark, and is therefore the best deal for the investor.
 - **Worst performing asset.** Investor returns are determined by the make-up of the basket.
 - **Barriers.** These can be of two types: activating and deactivating. In some cases, if the underlier exceeds a given level (the barrier), the unitholder is assured a fixed return ("knock in"). In others, when the barrier is reached, the investor loses the right to any gains ("knock out").
 - **Caps or floors.**

Financial CIS – Investment fund

- **Subscriptions, redemptions and transfers**
- The way mutual funds work is fairly straightforward. However it is worth exploring some of the basic terms and procedures,
 - **Units subscription.** Managers issue as many units as are necessary to meet subscriber demand. Each investor receives a number of units worked out by dividing the amount invested by the net asset value applying to the transaction.(some funds charge a subscription fee which can run to 5% of the sum invested).
 - **Unit redemptions.** To undo a mutual fund investment, the investor has to redeem the units at a given net asset value. Prospectuses generally stipulate a cut-off time: requests received after this time will be deemed to have been received the next day for the purposes of calculating applicable NAV. (Redemption fees may run to 5%)
 - **Transfer** is simply redeeming an investment in one mutual fund and immediately subscribing to another, while conserving the age of the first investment for tax purposes. This means capital gains are not taxed until such time as the units in question are finally redeemed.

Financial CIS – Investment fund

The prospectus. The prospectus is the fund's official document setting out all its conditions and characteristics. Its contents are prescribed by law and copies must be filed with the CNMV. Distributors are obliged to provide clients with the simplified version before they make a purchase. Principal information that will incorporate is:

<ul style="list-style-type: none">• General characteristics of the fund<ul style="list-style-type: none">– Risk profile– Minimum initial investment– Minimum maintenance investment– Recommended minimum duration of investment– Offer period (guaranteed funds)• Subscriptions and redemptions<ul style="list-style-type: none">– Net asset value applicable to subscriptions and redemptions– Cut-off time– Notice period (for redemptions)– Frequency of NAV calculations– Places where NAV is published• Investment policy	<ul style="list-style-type: none">– Fund category, type of assets in which it intends to invest– Management goal (guarantee, non guaranteed target return...)– In guaranteed funds, the key characteristics of the guarantee• Guaranteed return (guaranteed funds only)<ul style="list-style-type: none">– Scope and limiting conditions of the guarantee– Guarantee expiry date– Calculation formulas for investor returns– Guaranteed AER, where this can be calculated• Fees<ul style="list-style-type: none">– Fees applied– Basis on which fees are calculated (assets, performance...)– Other fee related conditions (sliding scales, exit windows...)– Fee ceilings (for each sub-fund and unit class)
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Investment funds

- **Return on Spanish Investment funds (2000-2015)**
- From: <http://www.revistaconsejeros.com/descargas/FondosInversion.pdf>
- The average return on investment funds in Spain in the last 15 years (1.90%) was lower than investment in government bonds to 15 years (5.4%) and investment in the IBEX 35 (4.6%).
- Sólo 18 fondos de los 632 con 15 años tuvieron una rentabilidad superior a la de los bonos del estado a 15 años, 27 tuvieron una rentabilidad superior a la de I IBEX 35 y 82 tuvieron rentabilidad negativa.
- El fondo más rentable proporcionó en los últimos 15 años a sus partícipes una rentabilidad total del 542% (promedio 13,2%) y el menos rentable del -64,7% (promedio -6,7%). Se muestran los fondos más rentables y los menos rentables. El apartado 2 proporciona un ranking de las 49 gestoras de fondos de inversión según la rentabilidad media de sus fondos.
- Bestinver ocupa el primer lugar con gran diferencia sobre las siguientes. También se muestran los resultados de un experimento en el que 248 escolares consiguieron mejor rentabilidad promedio que los fondos de inversión en renta variable en 2002-2012. 72 de los 248 escolares superaron la rentabilidad de todos los fondos. La rentabilidad media de los escolares fue 105% y la de los fondos 71%.

Exchange-traded funds (ETFs)

- Exchange-traded funds or ETFs issue shares for trading on stock markets.
- Their investment policy is to replicate the performance of a stock or bond index or, at times, that of selected listed companies.
- As shares are market traded, the holder has immediate knowledge of their net asset value at any given time.
- They can accordingly change hands at different prices in a single session, depending on the performance of the share or index they are tracking.
- In short, trading ETFs is similar to buying or selling shares on the stock market with the resulting advantages of liquidity, transparency and immediate transactability.

Precios de la sesión del mercado de ETFs

[Enlace](#)

Categoría	Índices IBEX®	Nombre / ISIN		Gestora					V.L.I. 31/10/2016	Últ. Valor Liquidativo	
SubCategoría	-----	Últ.	% Dif.	Máx.	Mín.	Volumen	Efectivo (€)	Fecha	Hora	Últ.	Hora
▼ ACCION IBEX 35 ETF,FI COTIZ,ARM.		9,1850	-0,38	9,2000	9,1500	532.647	4.894.293,18	31/10/2016	Cierre	9,1706	17:35
▼ DB X-TRACKERS IBEX 35® UCITS ETF (DR) 1D		20,3200	-0,39	20,2800	20,2800	115	2.332,20	31/10/2016	Cierre	20,2896	17:38
▼ DB X-TRACKERS IBEX 35® UCITS ETF (DR) 1C		20,5100	-0,44	20,5500	20,4500	17.240	354.267,70	31/10/2016	Cierre	20,5048	17:38
▼ LYXOR UCITS ETF IBEX 35 (DR)		90,3200	-0,42	90,5000	89,9900	31.565	2.848.360,67	31/10/2016	Cierre	90,2540	17:38
▲ LYXOR UCITS ETF IBEX 35 DOBLE INV.DIARIO		5,5100	0,73	5,5600	5,4900	200.324	1.105.718,13	31/10/2016	Cierre	5,5140	17:38
▼ LYXOR UCITS ETF IBEX 35 DOBLE APALANCAZO		15,7200	-0,82	15,8000	15,6000	77.824	1.222.729,78	31/10/2016	Cierre	15,7257	17:38
▲ LYXOR UCITS ETF IBEX 35 INVERSO DIARIO		29,5900	0,37	29,5400	29,5300	16.644	491.499,32	31/10/2016	Cierre	29,6002	17:38
▼ LYXOR UCITS ETF IBEX MID D- EUR		96,4300	-0,40	96,3000	96,2000	621	59.767,90	31/10/2016	Cierre	96,6287	17:38

Open-ended investment companies

Sociedad de Inversión de Capital Variable (SICAV) These differ from mutual funds in that the latter are simply a pool of assets in which each saver holds units, while SICAVs are public limited companies and the savers investing in them have the status of shareholders.

	Investor	Financial asset	Min Cap.	Legal framework
Investment fund	Subscribe a unit	Unit (participación)	0,3m€	None. Require two companies
Investment Company	Buy a stock. Becomes a shareholder	Stock (Acción)	2,4M€	S.A.



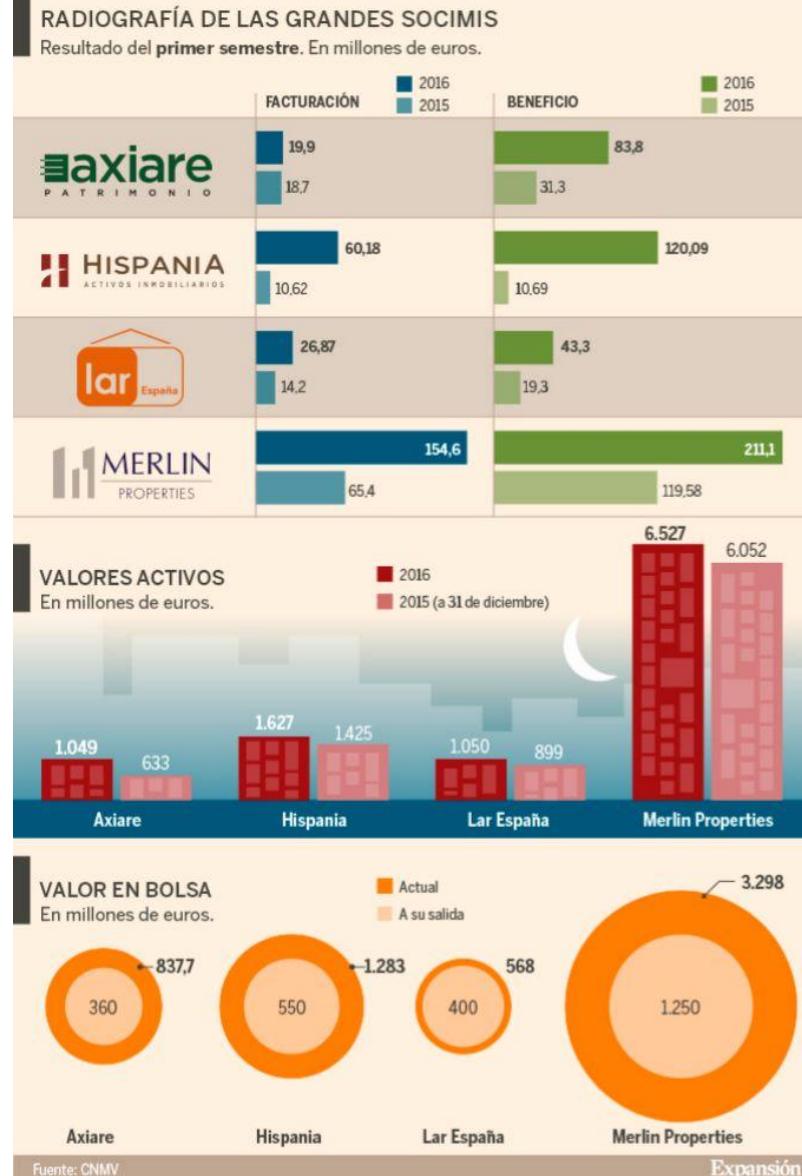
In both types of schemes is needed a minimum of 100 investors.

Real Estate Investment Funds & Co.

Real estate investment funds purchase properties (housing blocks, residential complexes, buildings under construction, old people's or student residences...) which they then lease out. Their returns, as such, come from both the rents they receive from their tenants and the evolution of property prices. Those with a corporate form are called real estate investment companies.

These products are less liquid than securities investment funds, as they need only allow subscriptions and redemptions once a year, and calculate NAV at monthly intervals.

- Real Estate Investment Fund
- Real Estate Investment Trust (SOCIMI)

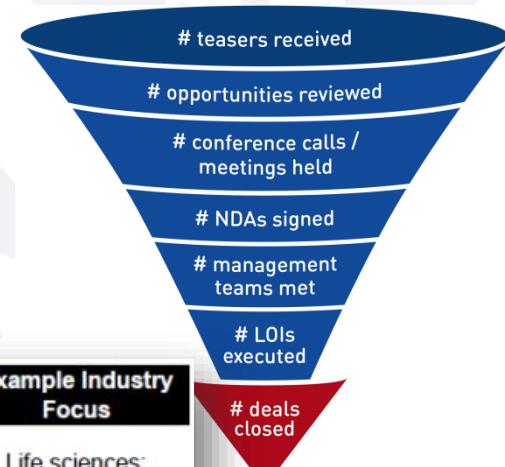


FUENTE: Expansión

Private Equity & Venture Capital

- Private equity firm, a venture capital firm or an angel investor.
- Provide working capital to a target company to nurture expansion, new-product development, or restructuring of the company's operations, management, or ownership
- Investment in operating companies that are not publicly traded on a stock exchange

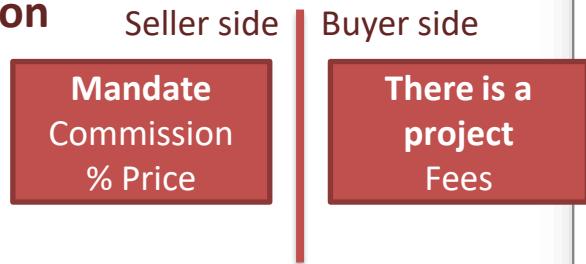
Type of PE	Company Stage (early > late)	Size of Typical Investment	Type of PE Firm	Description	Example Industry Focus
Venture Capital		\$50,000 to \$5 million	VC	Typically investments in companies that are early stage of development and are cash flow negative. Requires convincing market potential since not proven.	Life sciences; Technology; Software
Growth Capital		\$5 million to \$50 million	Small - Mid Tier	Typically investments in equity and/or debt instruments as these companies are growing and require increasing amounts of working capital, capital expenditures or an acquisition.	Most types
Mezzanine Financing		\$5 million to \$50 million	Small - Mid Tier	Typically subordinated debt or preferred equity investment into a company that falls between equity and senior debt on the balance sheet.	Manufacturing; Consumer products; Real estate
Leveraged Buyout		\$2 million to \$200+ million	Buyout (all sizes)	Acquisition of an operating company with a significant amount of borrowed funds to create value by realizing opportunities and improving efficiencies, etc.(use debt as financial leverage)	Consumer products; Food manufacturing
Distressed Buyout		\$2 million to \$200+ million	Buyout (all sizes)	Typically investments in equity or debt securities of financially stressed companies. Investor can look for a corporate restructuring or turnaround of business, for example.	Paper & pulp manufacturing



Private Equity & Venture Capital

Corporate finance

Transaction

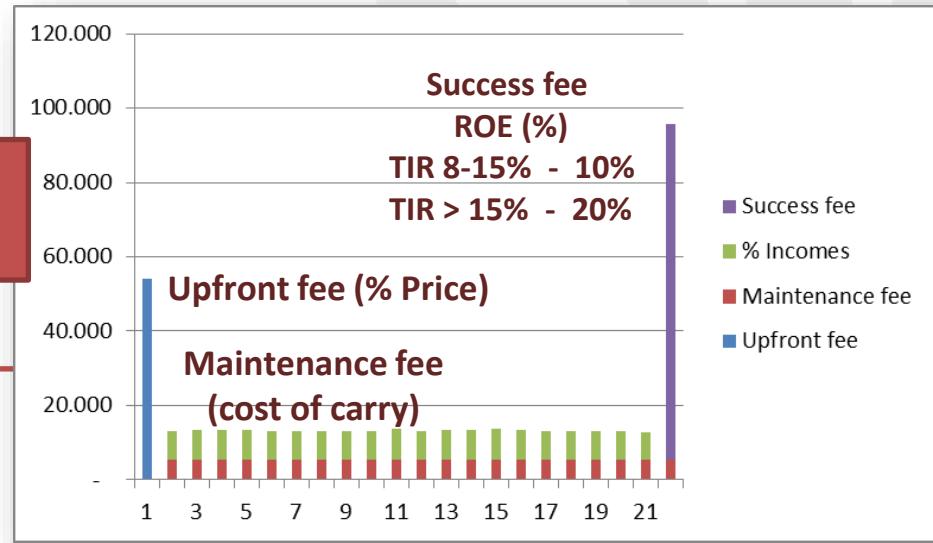


Process:

- 1) Contract of mandate (commissions)
- 2) Blind teaser
- 3) Non Disclosure Agreement (NDA)
- 4) Memorandum of Understanding (MOU)
- 5) Documentation: balance, P&L, list of clients, principal contracts...
- 6) Binding and non Non-binding Letter of Intention (LOI)
- 7) Due diligence
- 8) Signing the deal

Draft. Drafts are binding

For all of us... time has more value than money



One side: cost of bringing money.
The other side: value creation (service or assets)
Importance of track record.
Vanity vs. "something to offer".
Professionalism vs new players.
Chains of intermediaries.
management of expectations.
Corruption grade 1 and grade 2.

Alternative investment funds

- **Hedge funds**
- Spanish legislation stipulates an initial investment of 50,000 euros.
- Funds are free to invest in any kind of financial assets, and do not have to meet the investment concentration limits imposed by law on other collective investment schemes.
- They can also borrow up to five times their total assets.
- Reporting requirements are also significantly less stringent.
- Despite the many differences between hedge funds, their total freedom in choosing investments, lesser liquidity and transparency and leverage possibilities means they are generally riskier than other collective investment products.
- So much so that investors have to sign a document stating that they are aware of the risks involved.

Sample of strategies could be:

- Take both long and short positions
- Use arbitrage
- Buy and sell undervalued securities
- Trade options or bonds
- Invest in almost any opportunity in any market where it foresees impressive gains at “reduced” risk

Case: Long Term Capital Management

¡Gracias!