The Spanish control transactions below the Mandatory Bid Rule threshold: Is there "another" market for corporate control in Spain?.

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Abstract

There exists a fairly unknown market for corporate control in Spain, where the control transaction size is below the legal threshold that triggers a legal tender offer. Although most of these transactions does not allow the buyer to takeover the target firm, it allows to get a toehold that could either give a sit on the Board of Directors or reinforces its position inside it. This market is regulated by a market rule that has an effect on the market in which the deal takes place, as most of the control dealings are carried out in the Special Dealing Market. In addition, it also has an impact on the premiums paid to the seller. Although we find no evidence that the buyers pay, in median and average, for a sit on the Board of Directors, there are some evidence that might be signaling that there could be payments in kind to the seller. Besides, we find that the control dealings show a wide dispersion in the premiums and the block sizes to such an extent that it seems that the main market for corporate control is working in the borders of this "other" market for corporate control.

1. Introduction

There exists a fairly unknown market for corporate control in those economies that follow some kind of Mandatory Bid Rule (MBR) that governs the major control transactions. It is the market in which the control transaction size is below the legal threshold that triggers the MBR. Most of these transactions does not allow the buyer to takeover the target firm but allows it to get a toehold that gives a sit on the Board of Directors or reinforces its position inside it. Most of these transactions are not known by the public unlike those implemented in the legal tender offer market (MBR), in which control transactions are generally known not only because of the large size of the dealing but because of the compulsory set of rules that these control transactions must meet as well, such as the publicity of the dealing in the press. On the other hand, in this "other" market for corporate control, the transactions are made at the same time that other financial dealings of a similar size, another reason to explain why most of these small control transactions go unnoticed. So, how could we analyse this unseen market?

The goal of this paper is to explore the functioning of this market focusing on the Spanish case during the period 1990-2012 in order to find out whether there exists in this economy "another" market for corporate control. This means that, since this market is not the conventional one to transfer the listed firms' control, where the rules are explicitly set for control dealings in the legislation, we will have, first of all, to locate where it mainly works inside the financial markets; then, whether there are specific rules to deal in, how we can distinguish these control operations from other non-control dealings (financial dealings), which characteristics the dealings show and, finally, which prices are paid to the sellers.

As far as we know, no previous papers in the literature of control blocks have considered a similar approach to the one proposed in this paper. Thus, the contributions in this field usually analyse this market in the same way the "official" control market (the tender offer's market) is analysed, that is, focusing on the study of these purchases as a mechanism of discipline for target firms to improve corporate performance (for instance, Bethel *et al.*, 1998, for the U.S.; Franks *et al.*, 2001, for the U.K. or Renneboog, 2000, for Belgium) or analysing the effect on the target firm price when a significant transaction size takes place (for instance, Mikkelson and Partch, 1985; Barclay and Holderness, 1991,or Croci, 2004). Specifically, for the Spanish case, we find, in the first line of research, the paper by Crepí-Cladera and Gispert (2002) who test empirically the causes and consequences of block purchases in Spain for non-financial firms. They look mainly for testing whether this market for partial corporate control (Bethel *et al.*, 1998) supports agency theory predictions. In the second line of analysis, we find the paper by Fernández-Blanco and García Martín (2000) who study the reaction of the Spanish Stock Market to partial acquisitions announcements. In both cases, the "unit of analysis" is the block purchase but not the *control block* purchase, as we suggest here.

The main contributions of our paper are: (i) the proposal of several variables to trace this market in the Spanish Stock Market; (ii) the proposal of several variables that try to measure the control that implies each transaction; (iii) the analysis of the effects of the "modus operandi" that is used to get the control in this market that is determined by specific rules set by the Security Exchange Market authorities: Comisión Nacional del Mercado de Valores (CNMV), Ministry of Economy and Bolsas y Mercados Españoles; (iv) the calculation of the premiums linked to these control block transactions; and, finally, (v) an evaluation of the effects that these premiums paid in the transactions have on the wealth

distribution among small shareholder, sellers (large shareholders) and acquirers, under the rules set by the Exchange Market authorities.

With these purposes, the next section analyze the main rules that govern the control transactions in the Stock Market: the MBR, which rules the large size control transactions in most of the European Union economies, and the market rule (MR), which prevails in most of the Anglo-Saxon economies as the main way to deal in the market for corporate control for any size of control transactions. This rule would also regulate the small size control transactions in those countries under the MBR, so we set out the functioning of this market in the case of the Spanish economy which is determined by the regulation that the Ministry of Economy, the CNMV and a Stock Market committee orders. Section 3 deals with the sample that is analysed from the viewpoint of the regulated markets. Then, in section 4, we put forward several variables linked to the dealing with the purpose of finding out some factors related to the probability of accessing to a sit on the Board of Directors. The premiums involved in these transactions are calculated in section 5. Several tests are applied to these variables in order to know their statistical significance and whether there are differences between control transactions and non-control ones. Finally, in Section 6 we discuss the results in order to draw some conclusions about the main features of this market for small control transactions and the effects of regulation on the premiums paid and, consequently, on the wealth distribution inside the acquired firm.

We find that there exists a market for partial corporate control that works under a specific market rule; that the regulation affects the premiums paid in such a way that, in average, it seems that minority shareholders neither win nor lose due to these transactions. So we could say that the aim of regulation, that looks for avoiding that the block trading neither affects the market price nor gets round it, is met. Nevertheless, it might be that this MR, since prevents that the shifts of supply or demand for a specific share affect the market prices, at last it could be subsidizing the buyer (when there were premiums) or the seller (when there were discounts). In any case, the results we find are quite sensitive to the outliers, since the premiums are quite disperse in the case of control dealings.

The regulation also defines the way the dealings are carried out. Thus, the most probable "place" to find this kind of control market is in the Special Dealings Market, a market which works once the ordinary market is closed, so the information of the dealing could not be updated in the market price of the control dealing's day. In relation to the features of the dealings, control dealings are related to larger firms and the buyers are generally insiders, that is, large shareholders of the target firm. Since market knows that the

shareholding concentration almost does not change, there is a mere exchange of shareholders and directors among large shareholders, and this could be another reason to explain why the rate of this exchange is in average close to zero.

2. The Mandatory Bid Rule vs. the Market Rule

There are two rules that govern market control transactions:

(1) The mandatory bid rule (MBR, also known as the equal opportunity rule), whose aim is to extend to all target shareholders the same conditions that a buyer and a seller of a control block have agreed, what implies launching a tender offer. In European countries, the MBR is compulsory once the bidder's equity stake in the target firm surpasses specific percentage-of-equity thresholds. In that case, the bidder must file a legal tender offer for all outstanding shares.

(2) The market rule (MR), which allows the bidder to purchase the controlling block without offering the small shareholders the same price-per-share consideration, i.e., by not launching a tender offer to obtain the control of the target firm. This rule governs all the market control transactions in economies such as the USA[1], while it only governs the small size control transactions in most of the economies.

When focusing on those transactions whose size are below the MBR threshold, we can find (i) ordinary dealings, which represent the main number and volume of Stock Market transactions, and (ii) what we can define as extraordinary dealings, whose individual relative size is higher than in ordinary dealings. These relatively high size parcels of shares are known as blocks.

For ordinary dealings, as the stock market is an organized market, there exist a set of orders that allows investors to choose the way in which its supply or demand will be matched up by the market, that is, by an anonymous investor. Since in control transactions the seller agrees the conditions of selling the block to someone known, it is not reasonably to think that this kind of transactions will be made mainly by means of an ordinary dealing. Hence, it will be more plausible to find them under an extraordinary dealing. That is, we think that the market for partial corporate control works by means of this kind of dealings.

For these special transactions, the Spanish Stock Market regulation provides two specific markets:[2] the Block Market and the Special Dealings Market. The aim of the

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[1] Excepting two States: Maine and Pennsylvania (Grant *et al.*, 2009), that follow a MBR.
[2] In Spain, from 1991, it is possible to find specific regulation for extraordinary dealings.

regulation is that the negotiation of these blocks neither affects the market price of the ordinary dealings nor gets round it.

With this purpose, in the Block Market, in which the members match orders of the opposite direction or they conclude transactions out of the market but in the same timetable, the dealings have to meet several conditions depending on the volume of the block:

a) Agreed blocks (*bloques convenidos*): The minimum volume of the transaction has to be 600,000 euros that implies, at least, 2.5 % of the daily trading average volume of the closed last quarter. The price can vary ± 1% on the average price of the bid-ask spread of the best bid offer. Only IBEX-35 securities (or in special cases other securities) can be traded in this market.

b) Parametered blocks (*bloques parametrizados*): In this case the minimum volume is the double, 1,200,000 euros, that implies, at least, 5% of the daily trading average volume of the closed last quarter. The price of the dealing can deviate ± 15% (25% for securities of the New Market) from the static price. Securities that are traded in the SIB (Sistema de Interconexión Bursátil) can be included in these block operations.

The Special dealings market works when the "ordinary market" timetable is over.[3] There exist three kinds of dealings:

a) The announced dealings (*operaciones comunicadas*) whose volume must be higher than 300,000 € which implies at least the 20% of the average volume of the daily trading of the last quarter. In these cases the price is limited between ± 5% of the closing market price of that day or the weighted average market price.

b) Authorized dealings (o*peraciones autorizadas*). These dealings are authorized by Stock Market Society when the volume is higher than 1,500,000 € which implies at least the 40% of the average volume of the daily trading of the last quarter or the aim of the dealing is a merger, split, reorganization of the corporation an other similar causes. Especially important in these dealings is that there is no limit to set the price relative to the market price of the day in the ordinary market.

c) Matching transaction without a market dealer or broker (*Tomas de razón*): Contrary to the previous dealings, in this case, buyer and seller make a direct agreement and then they communicate it to a member of the Stock Market. These transactions must meet either the conditions of an announced dealing or an authorized dealing.

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[3] Mikkelson and Partch (1985) analyse a similar market for the USA, the market for secondary distributions which takes place usually after the close of trading; the seller may be required to register the offering with the SEC, giving information about the dealing, and the report usually appears in The Wall Street Journal on the day following filing of the prospectus.

Table 1 summarizes the previous requirements.

Table 1

Features of the Spanish Market Rule

Sort of market: sort of dealing	*Price limit*	*Minimum volume*	*Timetable*	*Other conditions*	*Done by a market dealer*
Block Market: Agreed Blocks	± 1%	€ 600,000 or > 2.5 % of the daily trading average volume of the closed last quarter	The same that "ordinary market"	Kind of listed firms: IBEX 35 SIB	Yes
Block Market: Parametered Blocks	± 15%	€ 1,200,000 or > 5% of the daily trading average volume of the closed last quarter	The same that "ordinary market"	Kind of listed firms: SIB	Yes
Special Dealings Market: Announced dealings (*aplicaciones*)	± 5%	€ 300,000 or >20% of the average volume of the daily trading of the last quarter	After the close of trading		Yes
Special Dealings Market: Authorized dealings	No limit	€ 1,500,000 or > 40% of the average volume of the daily trading of the last quarter	After the close of trading	Dealings related to mergers, splits, reorganization of the corporation or other similar causes are included.	Yes
Special Dealings Market: *Tomas de razón*	±5% or no limit		After the close of trading		No

Source: Ministerial Order of 5th December 1991 about Special Dealings, modified by the Ministerial Order of 23rd December 1998

If we compare all these kind of transactions, we can conclude that the least autonomy to deal in terms of price is achieved in the Agreed Blocks Dealings. So we can expect that most of the control transactions dealings are made in the other markets instead of this, since the price could include a premium or a discount for the control that is contained in such a block that is not limited by Stock Market regulation. With regard to volume, it seems that the Announced Dealings is suitable for relatively small transactions. Nevertheless, since the regulation only set a minimum volume, any dealing exceeding that value could be done under the requisites of this market, including large block sales. Although we can think that authorized dealings could meet the idea of a "small scale" market for corporate

control, because of the lack of limits to prices and the larger size of the transactions, the great diversity of causes that can be behind the block dealings in this part of the market (mergers, splits, reorganization of the corporation, …) dissuade us to analyse only this sort of market. This is the reason we do not follow the approach of Dyck and Zingales (2004) who eliminate all the block operations that are affected legally by a link between the exchange and the block price. It is also interesting that in the Block Market, the dealings are matched while the ordinary market is working so the price on the exchange can be affected by this piece of news. On the contrary, in the Special Dealings Market the price on the exchange should not be influenced by the dealing once it is supposed that the information about this dealing is known the day after.

3. The sample: data source, criteria and main statistics

The sample we use has been made taking as the original source the register of Relevant Facts that the Spanish Security Exchange Commission (CNMV) publishes in its web page.[4] It is important to remark that to be considered a relevant fact, it must affect significantly the market price of the firm/firms involved. From 1991 to 2012 we have analyzed around 260 Block Trade cases and around 3,600 cases in which a significant stake was negotiated. It is assumed that all of them could affect the market price of the firms involved.

From this search, we have applied the following filters to this population:

1. The transaction must involve a block transfer of a listed firm in the time of the transaction.

2. The transaction has been not only announced, but also completed.

3. The price per share of the block has to be identified. In order to find out these prices we have consulted, firstly, the Relevant Fact. If it is not possible to establish it by this way, we consult the Stock Market Bulletin and the financial press. We exclude those transactions in which it is not possible to calculate the transaction price objectively because of the use of non-cash payments (derivatives, other financial assets or intricate means of payment).

4. The buyer has not a stake in the target firm higher than 49%.

5. The purchase of the block does not trigger a tender offer until one year after because the block plus the previous stake surpasses the threshold of the MBR.

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[4] Fernández-Blanco and García (2000) use the press announcements of the block trades below 25% of the equity to make up their sample of significant dealings. Crespí-Cladera and Gispert (2002) use also the CNMV as the source of their data focusing on increases of shareholdings by 5% or more.

Hence, we have not limited the size of the block we are going to include in the sample, as other studies do.[5] The limits are set depending on the "borders" that the market for corporate control under a market rule may have, that is, a dealing that may have an effect on the firm's price, that could come from a marginal purchase of a smaller size block than is usually considered, as a lower bound, and a significant block that can trigger a legal tender offer, as an upper bound.[6]

Once we have the dealings that meet these initial requirements, we split this sample into two subsamples:

1.The subsample which is made up of control block transactions. We put forward as the criterion to proxy control block dealings that as a result of the transaction the buyer achieves a sit on the Board of Directors. Barclay and Holderness (1991) also split their sample according to the evidence that the block purchaser achieves control, defined as becoming an officer or having corporate agreements between buyer and target firm. In our case, since this piece of information is very difficult to find out, we follow the Berle's (1958) "principle" that defines control as the capacity to choose a Director, being its function to choose a management. So by this mean we come to a similar criterion than Barclay and Holderness.

2.   The "control" sample, that is, the subsample to compare the previous one, in which the dealing is significant but, as far as we know, it doesn't imply a change in the Board of Directors of the acquired firm. We will call it the non-control dealings subsample.

In order to know which dealings make up the subsample which involves control transactions, we check the changes in the Board of Directors related to the dealing using the following sources[7]: the register of Relevant Facts of the CNMV (in this stage we have use the register of Board of Director's composition), the Annual Corporate Governance reports, the Annual Reports and the financial press. To do this analysis we need to know the buyer's identity. This essential requirement has implied that many dealings have been moved out of the sample.

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[5] For instance, Barclay and Holderness (1991) or Mikkelson and Ruback (1985), for the US, only analyze block trades involving at least 5% of the common stock since increased holdings beyond the 5% level must be disclosed; Crespí-Cladera and Gispert (2002) use the same criterion for the Spanish case; Dyck and Zingales (2004) define as a control transfer any transaction size that goes beyond 20% of the shares.

[6] In Spain the "upper bound" has been modified because of the change of tender offers law in 2007 that, in general terms, varies the threshold from 25% to 30% of the target's equity. So the use of a qualitative criterion to analyse the dealings, instead of a quantitative one (% of equity), avoids a change in the criterion (size of the block) in order to be included in the sample.

[7] We have analyzed the mentioned sources looking for changes in the Board of Directors related to the dealing during a period of one year after it took place, checking that the (increase in) size of the block of the buyer that has got a sit on the Board is similar to the size of the control dealing.

Once we have the subsample of identified control block transactions, some of these dealings will also drop off due to the lack of data to construct the variables that we need to analyse these transactions (i.e. the shareholder structure). Finally, when the control block transaction comes from a broken block, we will only include those dealings of partial blocks that are bought in different days, have different kind of buyer, different selling price and different size in order not to duplicate the information that the dealing gives.

Thus, the control block transaction sample is made up of 70 dealings while the control sample is made up of 53 dealings.[8] The main statistics and characteristics of these samples are shown in the following tables and figures.[9]

Table 2
Dealings in the "other" market for corporate control
Sample descriptive analysis, 1991-2012

	TOTAL DEALINGS	% ON TOTAL
Sample size	**123**	
Control dealings	**70**	**57**
o Special Dealings Market	50	71
o Blocks Market	20	29
Non-control dealings	**53**	**43**
o Special Dealings Market	20	38
o Blocks Market	33	62

Table 2 shows the distribution of control and non-control dealings in the sample: 57 per cent for control and 43 per cent for non-control dealings. Non-control dealings are carried out basically in the Block Market (62 per cent of the total non-control dealings), whereas in the case of control blocks, most of the dealings has taken place in the Special Dealings Market (only a 29 per cent of the dealings has been carried out in the Block Market). Hence, it seems that the control dealings are mainly done in a market in which transactions are matched once the "ordinary market" is closed and the information about the dealing is published the next working day.

In Figure 1 it is shown the distribution by industry for the dealings in the two considered subsamples. From the viewpoint of the acquired firm, we can see the predominance of the *Petrol and Power* industry in the total sample, a 29 per cent of the cases, being quite similar when we distinguish between control and non-control dealings (29 and

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[8] These figures mean 62 different target firms and 70 different acquirers throughout 22 years.
[9] It is important to note that some control buyers could have not exercised their option to have a sit on the Board of Directors. If this would be the case, some dealings in the non-control dealings sample could really be control ones. So, the results of comparing the two samples will be the least favourable to our aim of showing the existence of a market for corporate control that, despite regulation, has distinguishing features.

30 per cent, respectively). These similar industry weights are also observed in Consumer Services Industry and Technology and Telecommunications. In the rest of the industries, however, the distribution between samples is not balanced.

Figure 1
Sample distribution by industry
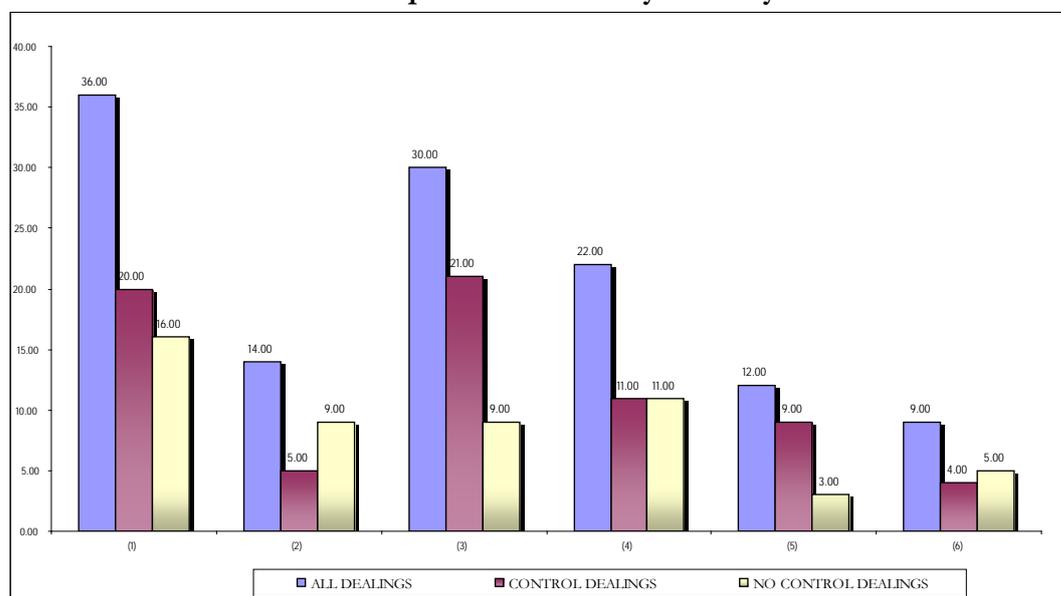
(1) Petrol and Power, (2) Basic Mat. Ind. And Construction, (3) Consumer Goods, (4) Consumer Services, (5) Financial Service and Real Estate,(6) Technology and Telecommunications.

Focusing on the main features of the blocks that make up the sample, Table 3 shows some descriptive statistics of the dealings. The average block size of the total sample is around 7 per cent; in the case of control dealings this value rises up to 9.2 per cent, being lower for the non-control dealings (3.7 per cent).[10] These statistics reinforce the perception that control dealings, which seem to need a significant number of shares, are mainly done in the Special Dealings Market that the Stock Exchange authorities have regulated.[11] When analyzing the average block size for non-control dealings, it can be seen that it is always around 4 per cent, no matter the market in which the dealings have taken place. Besides, the variability of the block size is much lower in the non-control dealings compared to the control dealings.

In relation to the buyer's average previous stake in the acquired firm, note that it is higher for control dealings than for non-control ones: in the control dealings it is around 5

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[10] Mikkelson and Partch (1985) also find that on average the number of shares offered in registered distributions represents a higher figure than in the non-registered operations (8,1% and 2,7%, respectively).

[11] It is also interesting the fact that within the control dealings, the highest mean block size is the corresponding to those carried out in the *authorized dealings* of the Special Dealings Market (11.5 per cent). In the case of the control dealings under *Applications and tomas de razón*, the block size is slightly lower, around 10 per cent, whereas this value is around 5 per cent for control dealings carried out in the Block Market.

per cent whereas it is considerably smaller for the non-control dealings, around 0.4 per cent. It is especially high the average previous stake in the dealings that are carried out in the Block Market for control operations. It seems that the Block Market is used for marginal acquisitions, as the previous stake is especially high while the control blocks purchased are lower than the ones matched in the other Special Dealings Markets. The average value of the whole sample is 3.3 per cent, rising up to 10.4 per cent in the mentioned case.

The average firm size of the acquired firm, measured as the natural logarithm of the market value[12], is higher for control dealings so, in average, it seems that the control transactions are due to larger firms. Boone *et al.* (2007) point out that larger firms use to have larger Board of Directors so this could explain the differential amount of these firms in the market for partial corporate control.

TABLE 3
Statistics by type of dealing: mean and standard deviation values

	BLOCK SIZE	PREVIOUS STAKE	FIRM SIZE
A. ALL DEALINGS	0.068 (0.069)	0.033 (0.088)	8.044 (3.120)
B. CONTROL DEALINGS	0.092 (0.081)	0.056 (0.111)	8.417 (2.229)
B.1.Special Dealings Market	0.107 (0.085)	0.036 (0.099)	8.694 (1.533)
B.2. Blocks Market	0.053 (0.049)	0.104 (0.123)	7.723 (3.357)
C. NON-CONTROL DEALINGS	0.037 (0.031)	0.004 (0.018)	7.552 (3.977)
C.1.Special Dealings Market	0.039 (0.038)	0.005 (0.024)	6.668 (4.314)
C.2. Blocks Market	0.035 (0.025)	0.003 (0.013)	8.087 (3.724)

Note: Standard Deviation inside brackets

It is also interesting to know the identity of the buyer. In Table 4, we can see that the buyer was a financial firm in the majority of the cases for the whole sample (52 per cent of the dealings). Focusing on the control dealings, however, the buyer was a financial firm in the 43 per cent of the cases and a non-financial firm in the 47 per cent. In the case of the non-control dealings, in the 64 per cent of the dealings the buyer was a financial firm. So it seems that most of the dealings of the non-control sample are due to portfolio investments[13].

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[12] Note that Table 3 shows size firms in logs; if we consider data without logs, we see that the market capitalization of the acquired firms in control dealings is more than twice the size of those implicated in non-control transactions.

[13] An important exception is the case of the *Authorized* dealings. In both control and non-control dealings, the typical buyer was a non-financial firm (in the 73 per cent and 75 per cent, respectively).

TABLE 4
Buyer identity of the acquired firm by type of dealing

	TOTAL DEALINGS	FINANCIAL FIRM	NON-FINANCIAL FIRM	NATURAL PERSON	The buyer is one of the three largest shareholders
A. ALL DEALINGS	123	64 (52%)	41 (33%)	8 (7%)	57 (46.3%)
B. CONTROL DEALINGS	70	30 (43%)	33 (47%)	7 (10%)	45 (64.2%)
B.1.Special Dealings Market	50	20 (40%)	28 (56%)	2 (4%)	32 (64%)
B.2. Blocks Market	20	10 (50%)	5 (25%)	5 (25%)	13 (65%)
C. NON-CONTROL DEALINGS*	53	34 (64%)	8 (15%)	1 (2%)	12 (22.6%)
C.1.Special Dealings Market	20	10 (50%)	7 (35%)	0 (0%)	8 (40%)
C.2. Blocks Market	33	24 (73%)	1 (3%)	1 (3%)	4 (12.12%)

(*) In some non-control dealings, information on buyer identity is not available.
% of dealings on the total dealings inside brackets

Finally, it is remarkable that in 64 per cent of the control dealings the buyer was one of the three largest shareholders of the acquired firm while this piece of evidence only appears in around 23 per cent of the non-control dealings. This result could mean that control dealings are related to a market for corporate control that mainly works to strengthening the control position inside the firm.

4. Will it be a control dealing? Information from the dealing characteristics

Once we know that control transactions have differential features comparing to non-control transactions, we take a step forward to analyse which variables, linked to the dealing, could predict whether the dealing is a control one, that is, if it implies to obtain a (another) sit on the Board of Directors. That is, given that it is an "off the record" market for corporate control, we would like to know whether there are variables related to the transaction that allow us to anticipate whether the dealing is a control transaction or not.

The econometric methodology used is a Logit analysis in which the dependent variable is a dummy which takes the value of one for control dealings, that is, block transfers that imply a sit on the Board of Directors, and the value of zero for the non-control dealings. For example, for a control dealing the logistic distribution function considering one independent variable would be:

$$P_i = E(Y = 1 | X_i) = \frac{1}{1 + e^{-(\beta_1 + \beta_2 \cdot X_2)}}$$

where X_i is the independent variable.

In order to solve the problem of the nonlinearity of P_i in X_i and ß's, this equation is linearised with the following result:

$$L_i = \ln\left(\frac{P_i}{1-P_i}\right) = \beta_1 + \beta_2 \cdot X_i$$

where L_i is the Logit.

Unlike other previous works, which usually consider accounting variables as independent variables, we will use variables related to the characteristics of both the block and the market:

a)   The amount of control that a block contains. Several measures of control are put forward in order to know which one predicts better the probability of achieving a sit.

a.1 The size of the block: it is defined as the number of shares in the block divided by the number of shares in equity. This is the usual way of measuring the size of control in literature. This variable captures the weight that a block size has in the General Meeting of shareholders, where the main goals of the firm are decided, such as the appointment of the Directors.

a.2. The relative size of a block: it is defined as the number of shares in the block divided by the number of shares that the three largest shareholders own. Instead of using just the size of the block as a percentage of equity (variable a.1), we suggest to adjust its weight in relation to the stakes of the three largest shareholders in order to assess its relative importance among the controlling parties. In this way, we take into account the ownership structure of the firm.

a.3. The increase in the relative size that the block implies: it is defined as the subtraction of the initial relative size of the buyer from its final relative size. The initial relative size is defined as the previous stake of the buyer (the number of equity shares in buyer's hands before the purchase) divided by the addition of the three largest stakes of the target firm. The final relative size of the buyer is defined as the addition of the previous stake and the new block divided by the addition of the three largest stakes of the target firm, including the new block if the buyer is one of the largest shareholders[14]. In this case we want to assess how much the block has improved the controlling position of the buyer, given the ownership structure of the firm.

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[14] Note that a.3 is equal to a.2 if the buyer is an outsider.

a.4. The relative size of the block compared with the "cost" in shares of a sit on the Board of Directors: with this variable we measure the relative weight of the control block in terms of the equity needed to get a sit on the Board of Directors. Since in Spain the firms have a proportional rule to access to the Board of Directors, we have multiplied the size of the block (as a percentage of the equity) by the number of Directors that each firm decides to make up its Board. In this way we take into account the effect that the size of the Board of Directors could have on its accessibility. Furthermore, the size of the firm (generally used in other studies to explain the Board structure) would be also implicitly included in this variable and the next one since, as Boone *et al.* (2007) or Guest (2008) point out, larger firms usually have larger Board of Directors, so it could be that the cost in term of shares of a sit in those Boards was relatively lower.

a.5. The relative size of the buyer's final stake compared with the "cost" in shares of a sit on the Board of Directors: in this variable we have added to the control block the previous stake and then we have multiplied it by the number of Directors that each firm defines to make up its Board. Thus, we take into account the control position of the buyer before the purchase of the control block in order to capture the effect of marginal blocks to get a sit.

As Table 5 shows, these five variables are highly correlated, so we will include them separately in the different model specifications. In this way, we can assess which variable defines better the capacity to choose a director, following Berle (1958) control definition.

b)   The market in which the dealing is performed. This variable tries to capture the effect of the different market rules, that is, the regulative effect on the control transactions depending on the market they are matched. As we have seen, due to the characteristics that the regulation states to the Block Market, it is less probable to find a control dealing in that market, perhaps because of its timetable (as previously mentioned, it works while the ordinary market works, so the dealings could be known within the day) or the price limits. In the same way, transactions made under the Special Dealings Market seem to be more "flexible" in terms of price and include some dealings which respond to special events in the target firm. So we want to know whether these differential features between the Block Market and the Special Dealing Market affect the probability of obtaining a sit on the Board.

c)   The identity of the buyer: this variable tries to assess whether an individual or family buyer, in relation to a firm, is more interested in those investments that are linked to a sit on the Board. Thus, Barclay and Holderness (1991) obtain that 68% of the individual blockholders become directors or officers in their sample, and this could mean that this kind

of buyer tends to be more active in the corporate management. On the contrary, Dyck and Zingales (2001) relate this kind of investor to private benefits as they think that they might value opportunities to consume prerequisites more highly than corporate blockholders.[15] So they would be more interested in being included in the Board than corporations.

d)   Whether the block is broken up or not: Barclay and Holderness (1989) point out that a block will never be broken when its value is higher as a whole block. So we can expect that blocks that come from a broken larger block will be less probable to be linked to a control dealing.

e)   Industry: We include this variable in order to control for specific industry features that can be related to the access to the Board of Directors: regulation, market structure, …

The definition of the independent variables and their sources are listed in Table 6.

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[15] Barclay and Holderness (1989), Harris and Raviv (1988) or Stulz are classical references that link private benefits to individual block purchasers.

TABLE 5
CORRELATION MATRIX

	CONTROL VARIABLES					MARKET	BUYER	BLOCK
	Block size	The relative size of the block	The increase in the relative size of the block	The relative size of the block compared with the "cost" in shares of a sit on the Board of Directors	The relative size of the final stake compared with the "cost" in shares of a a sit on the Board of Directors	Special Dealings Market	Natural person	Broken Block
Block size		.854***	.847***	.799***	.511***	.264***	.144	-.180**
The relative size of the block			.988***	.670***	.361***	.148	.170	-.186**
The increase in the relative size of the block				.652***	.306***	.172*	.143	-.198**
The relative size of the block compared with the "cost" in shares of a sit on the Board of Directors					.738***	.212**	.143	-.200**
The relative size of the final stake compared with the "cost" in shares of a sit on the Board of Directors						.125	.130	-.233**
Special Dealings Market							-.170*	-.373***
Natural person								.080
Broken Block								

TABLE 6
Definition and source of data of independent variables

Variable	Definition	Data source
The size of the block	n.shares in block/n.shares in equity	CNMV, Stock Market Bulletin, Annual Reports
The relative size of the block	n.shares in block/$\sum^3$ n. shares largest shareholders	CNMV, Stock Market Bulletin, Annual Reports
The increase in the relative size of the block	n.shares (block + previous stake) /$\sum^3$ n. shares largest shareholders	CNMV, Stock Market Bulletin, Annual Reports
The relative size of the block compared with the "cost" in shares of a sit on the Board of Directors	Block (in %) x n. Directors in the Board	CNMV, Stock Market Bulletin, Annual Reports, DICODI, Annual Corporate Governance reports
The relative size of the final stake compared with the "cost" in shares of a sit on the Board of Directors	(Block + previous stake) (in %) x n. Directors in the Board	CNMV, Stock Market Bulletin, Annual Reports, DICODI, Annual Corporate Governance reports
The kind of market	Dummy variable that takes the value 1 if the dealing is made in one of the markets specified in Table 1. Otherwise, zero.	Stock Market Bulletin
Identity of the buyer	Dummy variable that values 1 if the buyer is a natural person and 0 otherwise.	CNMV, press
Broken block	Dummy variable that values 1 if the block is broken to sell it and 0 otherwise.	CNMV, Stock Market Bulletin, press
Industry	Dummy variable that values 1 if the target firm belongs to a specific industry (Petrol and Power, Basic Materials, Industry and Construction, Consumer Goods, Consumer Services, Financial Services and Real Estate, Technology and Telecom.) and 0 otherwise.	Stock Market Bulletin

The Logit model to be tested can be written as:

$$L_i = \ln\left(\frac{P_i}{1-P_i}\right) = \beta_1 + \beta_2 \cdot amount\ of\ control\ of\ the\ block + \beta_3 \cdot Market + \beta_4 \cdot Identity\ of\ the\ buyer$$
$$+ \beta_5 \cdot Broken\ Block + \beta_6 \cdot Industry$$

To get estimators asymptotically unbiased, efficient and normally distributed, the parameters are estimated by maximum likelihood.

Since we have five variables to measure the control that a block encloses, and they are quite correlated, we are going to show their predictive power in five different models. The results of the estimations are shown in Table 7.

TABLE 7. Multivariate Analysis: Results of Logit Models

	Model 1	Model 2	Model 3	Model 4	Model 5
Constant	1.034* (2.870)	1.418** (5.715)	1.474** (6.167)	0.862 (1.882)	0.035 (0.003)
Special Dealings Market	0.569 (1.187)	0.889* (3.177)	0.882* (3.156)	0.748 (2.136)	1.420** (5.299)
The size of the block	16.375*** (7.364)	-	-	-	-
The relative size of the block	-	3.571*** (4.660)	-	-	-
The increase in the relative size of the block	-	-	3.147** (3.919)	**-**	**-**
The relative size of the block compared with the "cost" in shares of a sit on the Board of Directors	-	-	-	1.365*** (7.271)	-
The relative size of the final stake compared with the "cost" in shares of a sit on the Board of Directors	-	-	-	-	1.595*** (15.693)
Identity of the buyer	1.941 (2.468)	2.234* (3.417)	2.301* (3.640)	1.973 (2.623)	2.551* (3.757)
Broken Block	−2.101*** (14.272)	−2.078*** (14.920)	−2.063*** (14.971)	−2.009*** (13.303)	−2.496*** (13.718)
Industry 2	−1.073 (1.501)	−0.898 (1.242)	−0.876 (1.200)	−0.614 (0.504)	0.568 (0.264)
Industry 3	0.302 (0.205)	0.537 (0.693)	0.522 (0.662)	0.422 (0.454)	1.422* (3.199)
Industry 4	−0.267 (0.154)	−0.152 (0.049)	−0.181 (0.070)	−0.029 (0.002)	0.483 (0.296)
Industry 5	0.497 (0.260)	0.514 (0.291)	0.497 (0.276)	0.553 (0.322)	1.527 (1.760)
Industry 6	−1.093 (1.330)	−1.283 (1.972)	−1.232 (1.843)	−0.971 (0.968)	−0.360 (0.099)
N	123	123	123	123	123
LR[a]	54.531 [0.000]	48.615 [0.000]	47.609 [0.000]	54.730 [0.000]	84.390 [0.000]
Hosmer-Lemeshow test[b]	10.467 [0.234]	5.148 [0.742]	1.562 [0.992]	15.081 [0.058]	6.024 [0.645]
AIC	1.086	1.134	1.143	1.085	0.844
BIC	1.315	1.363	1.371	1.313	1.072
McFadden R^2 [c]	0.324	0.289	0.283	0.325	0.502
% of correct predictions	79.7	78.0	78.0	78.0	86.2

Notes:

Wald-statistics values in parenthesis.

*, **, *** indicate statistical significance of 10%, 5% and 1%, respectively.

(a) This statistic follows a χ^2_{k-1} distribution, where k is the number of the model's parameters, including the independent term. The null hypothesis is that all slope coefficients except the constant are zero; p-values are in brackets.

(b) The distribution of the Hosmer-Lemershow statistic is not known; however, Hosmer and Lemeshow (1989) point out that when the model is correctly specified, the distribution of the statistic is well approximated by a χ^2_{j-2} where j is the number of groups used to compute the test. The null hypothesis is that there is no difference between observed and model-predicted values; p-values are in brackets.

(c) McFadden's $R^2 = 1 - \dfrac{\ln \hat{L}(M_{full})}{\ln \hat{L}(M_{intercept})}$ where M_{full} is the model with predictors, $M_{intercept}$ is the model without predictors and $\hat{L}$ is the estimated likelihood.

The model's global significance is given by the likelihood ratio (LR) test. As it is shown in Table 7, in the five models considered, the LR statistics indicate that we can reject the null hypothesis that all slope coefficients except the constant are zero. The Hosmer-Lemeshow goodness-of-fit test statistics shows that we fail to reject the null hypothesis that there is no difference between observed and model-predicted values, therefore the five models are well-fitting models. However, additional measures of goodness of fit, such as the information criteria BIC and AIC, the McFadden's R^2 and the percentage of cases that have been correctly classified, point out that the model which most accurately predicts the dependent variable is model 5, where it is included the relative size of the final stake compared with the "cost" in shares of a sit on the Board of Directors as the variable to proxy the control that a block involves.

Focusing on the independent variables, the main results show that the likelihood of a block buyer to get a sit on the Board of Directors is greater the higher is any of the variables that we have put forward to measure the control "enclosed" in a block. Block size is the variable that better explains the likelihood of achieving a sit on the board since it is related to the weight that the block purchaser will have in the General Meeting to appoint a new director. However, the size of the buyer's final stake in relation to the size of equity needed to get a sit on the Board of Directors in the specific firm is the variable that has the highest explanatory power of the model as a whole, among all the variables we have calculated to measure how much control contains a control block. This variable not only includes the size of the block but also the previous stake, so it is more sensitive in order to capture the effect of marginal blocks to get a sit. Besides, instead of comparing the size of the final stake to the shareholders structure of the target firm, it is compared to the number of shares that "costs" a sit on the Board, so it includes the specificity of each firm in relation to its control structure.

The regulation is also significant, that is, the conditions stated to each market affect the kind of dealings carried out in it, in such a way that the likelihood of getting a sit on the Board is higher for one who buys under an special dealing. This means that the market for partial corporate control is more probable to be found in the Special Dealings Market, although this affirmation is just a general rule since this variable is not significant in all the models.

It is also more probable to have a sit on the Board when the buyer is an individual buyer or a family instead of a firm (financial or non-financial). Franks *et al.* (2001) find as well that when families and individuals increase their holdings, the board turnover also

increases. Nevertheless, this variable is not significant in all the models, so it seems that its predictive power is not strong enough.

In relation to the way of selling the piece of control, it seems that when a block is broken to be sold in the market, the dealings are very probable not to be linked to a control dealing, as Barclay and Holderness (1989) suggested.

Lastly, any considered industry plays a significant role in explaining the likelihood of achieving a sit on the Board.

5. Block premiums in the "other" market for corporate control: Comparative analysis and regulative implications

Finally, in our aim of disclosing the functioning of the Spanish market for corporate control under a market rule, the block premiums are calculated and compared to the non control dealings in order to know to what extent they present significant differences. But, why could they be different? In principle, the specific market rule set by the Spanish Stock Market authorities affects both the control and the non-control blocks of our sample, so the regulation should not be favourable to any of them. But as control dealings are mainly done in the Special Dealing Market, where the admitted prices variations from the market price are wider, it could be reasonable to suggest that this could cause different premiums. Notice that we don't assume any sign in the control premiums. The only hypothesis we make is that, since the dealings that carry a sit on the Board involve explicit control in relation to the financial dealings, we think that the price of control (positive or negative) could be included in the dealing price. If this were true, we could know, for our sample, whether the partial market for corporate control is a market of control premiums or discounts.

In addition, we could make out how target firms' wealth is affected because of the dealing as market rule only involves directly the buyer and the seller, although as default small shareholders as well.

The block premium is defined as the price (in terms of a rate of return) that the buyer pays to the seller in the dealing so, under a MR, it is a return just for the seller. It is calculated as the difference between the price per share paid in the block transaction and the market exchange price before the announcement of the transaction, dividing it by the exchange price before the announcement of the transaction. We have calculated several premiums depending on two criteria:

(a)   The date of the announcement (*t*): Following the studies of Hoffmeister and Dyl (1980) and Walkling (1985), who pointed out the importance of choosing the date of the first public information of the event to calculate the premium, we consider two possibilities in order to check if there is any significant difference among the premiums depending on the date in which the transaction is known: (i) the day in which the CNMV publishes the relevant fact and (ii) the day in which the transaction is published in the Stock Market Bulletin. The main difference is that the effect of regulation is better detected in the second information source, since the legal limits in prices are set according to the market prices of the day of the dealing, which is published in the Bulletin the next day to the dealing date. In the case of the Relevant Fact register, in one third of the cases, the announcement of the fact is published previously, so the premiums calculated upon this date could be less affected by regulation.[16]

(b)   The reference day to calculate the premium; we consider two dates: (i) the day "before" the announcement; we calculate the premiums taking into account the market price of the previous day to the announcement (*t*-1), which in the case of the Stock Market Bulletin means the market price of reference to apply the regulation; (ii) the market prices fifteen days before the dealing announcement (*t*-15), in order to test whether there are significant differences related to the use of inside information. [17]

The descriptive statistics of these variables are shown in Table 8, for all dealings in the sample and also for the trimmed sample, i.e., the sample without outliers. [18] Focusing on this Table, some results are remarkable, for both control and non-control dealings: (i) the small size of average and medians premiums in control dealings[19]; (ii) the high standard deviation that these dealings show comparing to the non-control dealings; (iii) hence, the extraordinary positive and negative premiums that some buyers have paid in specific control dealings (specifically in the Authorized dealings Market). Notice the maximum and minimum values in this sample that, at least, double those values for the non-control dealings sample; (iv) the lower premiums we find the shorter is the term to calculate them,

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[16] We have also taken into account the date when the public announcement is made by the newspapers. As the final results are similar, we have not included this source of information because in 20% of the dealings we have not found any information of the dealing in the press; in 49% of the remaining cases, the date of the Relevant Register is previous to the press; in the 33% of the dealings both sources have the same date. Only in 18% of the cases the date in the press is previous.

[17] Stulz et al. (1990) use five and eleven days whereas Walkling (1985), Walking and Long (1985) and Walkling and Edmister (1985) use only fourteen days.

[18] We consider outliers those control premiums values below the first quartil minus 1.5 times the interquartile rank or above the third quartil plus three times the interquartile rank. We have also considered other ways to eliminate the sample outliers but the results do not differ from those reported here.

[19] These results are similar to those found in Fernández-Blanco and García (2000) that, by means of an event study, estimate the premiums of block transfers announced in the press during the period 1986-1996.

probably because information leakages. In any case, since the price of these dealings the day that are implemented (t-1) is legally supervised, it is hardly surprising that the premiums in t-15 are higher. Nevertheless, we check whether these premiums are statistically different from zero or not.

In order to do so, we first start by assessing the normality of block premiums to select the hypothesis testing procedures. We use the Kolmogorov-Smirnov test for one sample (with the Lillierfors correction) in each of the samples to test the normality of the block premiums. The test rejects the null hypothesis of Normality for both samples and all the premiums (t-1 and t-15) whatever the source of information is used (Relevant Facts or Stock Market Bulletin), except for the case of the non control premiums calculated for the trimmed sample using the Stock Market Bulletin Information. So, since normality hypothesis is generally rejected, non-parametric procedures should be considered. Specifically, we use the Wilcoxon test, to test the statistical significance of the medians for the non-Normal distributions, i.e., we test whether the median of these variables are equal to zero.

TABLE 8. Block premiums for control and non–control dealings

Panel 1: whole sample				

CONTROL DEALINGS

Reference date (t)	Premium t-15		Premium t-1	
	(1)	(2)	(1)	(2)
Mean	0.0289	0.0207	0.0004	-0.0007
Median	0.0252**	0.0158	0.01	0.003
Maximum	0.7200	0.6805	0.6000	0.7119
Minimum	-0.9231	-0.9231	-0.9300	-0.9263
Std. Dev.	0.2349	0.2308	0.2263	0.2261
IQR	0.1169	0.1008	0.0975	0.0729
Dealings	70	70	70	70
N. of dealings with negative premiums	26	27	28	31

NON-CONTROL DEALINGS

Reference date (t)	Premium t-15		Premium t-1	
				(2)
	(1)	(2)	(1)	
Mean	0.0202	0.0212	-0.0078	-0.0036
Median	0.0300**	0.030**	-0.010***	-0.010***
Maximum	0.3023	0.2722	0.3000	0.2992
Minimum	-0.1300	-0.1300	-0.1000	-0.0872
Std. Dev.	0.0723	0.0680	0.0538	0.0529

IQR	0.0696	0.0613	0.0300	0.0331
Dealings	53	53	53	53
N. of dealings with negative premiums	20	17	30	35

Panel 2: trimmed sample

CONTROL DEALINGS

Reference date (t)	Premium t-15		Premium t-1	
	(1)	**(2)**	**(1)**	**(2)**
Mean	0.032	0.023	0.002	-0.006
Median	0.0251**	0.015*	0.010	0.003
Maximum	0.428	0.366	0.290	0.180
Minimum	-0.285	-0.268	-0.290	-0.2279
Std. Dev.	0.129	0.123	0.106	0.064
IQR	0.0887	0.0766	0.075	0.0614
Dealings	63	63	61	58
N. of dealings with negative premiums	23	24	24	26

NON-CONTROL DEALINGS

Reference date (t)	Premium t-15		Premium t-1	
	(1)	**(2)**	**(1)**	**(2)**
Mean	0.010	0.016	-0.018	-0.011
Median	0.028*	0.029**	-0.010***	-0.010***
Maximum	0.110	0.214	0.000	0.067
Minimum	-0.130	-0.130	-0.100	-0.087
Std. Dev.	0.051	0.058	0.023	0.028
IQR	0.0715	0.0707	0.0300	0.0300
Dealings	51	52	50	51
N. of dealings with negative premiums	20	17	34	35

(1) Relevant Fact Publication date (2) Stock Market Bulletin Publication date.
(***), (**), and (*) indicates that the median is significantly different from zero at a 1%, 5% and 10% significance level, respectively, following the results of the Wilconson test.

The results, shown in the Table 8, tell us that the median premium is statistically equal to zero for control dealings when the reference date is the previous day to the announcement (t-1), whatever the source of information is used (the Relevant Facts register or The Stock Market Bulletin) and for the whole and the trimmed sample; however, the median premium is different from zero when the premiums have been calculated in relation to the previous fifteen days (t-15) using the CNMV (Relevant Facts) source of information for the whole sample, and considering both information sources for the trimmed sample. However, note

that the median premium is always significantly different from zero in the case of the non-control dealings.

Now, the question that arises is: are there significant differences between control and non-control dealings premiums?. Table 9 shows the results of the Wilcoson-Mann-Whitney test for the null hypothesis of equality of the medians.

TABLE 9. Wilcoxon/Mann-Whitney test results for equality of block premiums medians between control and non-control dealings

Panel 1: whole sample

Premium t-15		Premium t-1	
Relevant Facts	Stock Market Bulletin	Relevant Facts	Stock Market Bulletin
0.6026	0.3089	2.1680	1.5551
(0.5467)	(0.7573)	(0.0302)	(0.1199)

Panel 2: trimmed sample

Premium t-15		Premium t-1	
Relevant Facts	Stock Market Bulletin	Relevant Facts	Stock Market Bulletin
0.8462	0.3287	2.8182	1.8795
(0.3974)	(0.7424)	(0.0048)	(0.0602)

p-values inside brackets

We can observe that, for both the whole and the trimmed sample, we can't reject the null of equality between the median block premiums calculated in relation to t-15, no matter the information source is considered; however, it is possible to reject the null for the premiums calculated in relation to the previous day when considering both the Relevant Facts and the Stock Market Bulletin publication for the trimmed sample and the Relevant Facts for the whole sample. This result seems to suggest that fifteen days before the dealing date, the market does not react to the kind of dealing, but it does when the dealing date is closer and the information leakages allow to discriminate between dealings. In that date, there is a different market response depending on the kind of dealing.[20]

In short, what can we say about premiums in the "other" market for corporate control? There are not explicit premiums or discounts in the market for partial corporate control when the reference day to calculate them (t-1) is under the regulation of stock

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[20] We have also test whether the information source that we use to calculate the premiums is relevant or not, i.e., is it important to use either the relevant fact publication date or the stock market bulletin publication date to calculate the block premiums? The null hypothesis is the equality of the medians of the samples and the results of the Wilcoxon/Mann-Whitney test shows that it is not possible to reject the equality of the median block premiums for both the control and non control dealings. It seems that the information source considered to calculate the premiums is not relevant as most of the cases shows the same dates for both sources.

market authorities. However, there is a median premium of around 2% (an average of 2,5%) to sellers when the term is longer (t-15) (Table 8). [21] This premium does not differ from that obtained in the non-control dealings (Table 9) so it seems that the market does not discriminate between the kind of block trades. We can conclude that, in median, the premiums linked to blocks are not paying control because the market takes as a positive signal that a fair amount of the transactions (64%) are made by buyers that are insiders (see Table 4), and many sellers remain in the Board as well, although with less equity. That is, the dealing is a mere reinforcement of their control in the firm, the market "knows" it and market prices rises up to the price of the block. In addition, block price is limited by regulation, so the shift in the supply or the demand curves (depending on who begins the agreement) that the block for sale could cause is lessened by the MR.

Taking out outliers from the sample, when considering the trimmed sample, we can observe an important difference that outliers had hidden: the premiums for t-1 are different between control and non-control dealings. They are statistically equal to zero for control dealings while they are negative for non-control dealings. That is, a median seller of a non-control block has to accept a discount if it wants to sell a large quantity of shares, something that does not happen to a median seller who sells a block that involves a sit on the Board of Directors.

However, outliers themselves give important information. There are both positive and negative high premiums. Among the most positive ones, we have checked that there are cases linked to industries of high speculative dealings (Real estate). The cases of Vallehermoso and Metrovacesa in 2002 are remarkable as they were the aim of a wide publicity because theses sales involved very elevated premiums and sizes of the blocks (although below the threshold of the MBR). These dealings were related to the reform in the tender offer regulation (Royal Decree 432/2003, April 11th) that took place in 2003 in order to include in this official market those dealings of control blocks that exclude minority shareholders decisions. There are also cases in which, under the market rule, the small shareholders are also excluded from deciding about selling in dealings of highly negative premiums. We have cases in which, for example, the selling price was imposed by a judge (the block of Cepsa bought by ELF in October 2006) or, more important, control dealings of blocks that belonged to the main shareholder of an almost bankrupted firm, that is, just the aim of the market for corporate control, as Manne (1959) defined. It seems

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[21] In the Spanish market for legal tender offers we find that on average bid premiums ranges between 10% and 20% depending on the period and sample.

that the market for corporate control in the strict sense is working in the borders of this "other" market for corporate control.

6. Conclusions

One of the results found in the empirical literature for the Spanish market for partial corporate control is that there is no evidence that previous poor performance of the target companies causes the acquisitions (Fernández-Blanco and García, 2000; Crespí-Cladera and Gispert, 2002). This means that the aim that Manne (1965) defined for this market, the recovery of poorly managed firms, is not the only goal that triggers the block transfers. Actually, there would be other causes behind the dealings as well that could explain those results (e.g. the pure investment aim).

In this paper we face a similar outcome. One of the striking empirical results we find for the Spanish market for partial corporate control is that under a MR there is no evidence that the buyers pay, in median and average, for explicit control, that is, for a sit on the board of directors, given the rules to deal in. Does this means that the statement of Manne (1965), that the control of corporations may constitute a valuable asset, could not be applied for this market?. Several reasons related to the characteristics of the block dealings could explain this result and these are the main conclusions.

Block transactions are not dealt in the ordinary market but in a special one where the shifts of supply or demand for a specific share can hardly affect the market prices because the aim of regulation (the MR) is that the negotiations of blocks do not affect the market price or avoid it, so the authorities fix several limits to the price variations, with few exceptions, and as a result, the distribution of the premium series we found, are centred around the market price.

Other effect that the MR has on premiums comes from the markets the transaction may take place: most of the control dealings are carried out in the Special Dealing Market, although some marginal dealings are matched in the Block Market. A key different between these two markets is the timetable in which they work: the Special Dealing Market begins after the close of trading while the Block Market works at the same time. This feature could explain why the premiums paid the day of the sale for the non-control dealings (mainly matched in the Block Market) are negative while there are no premiums for the control dealings as the market is not including all the information of the sale in real time (e.g. whether the block is broken up or not).

Apart from regulation, a stakeholder oriented system of corporate governance, as the Spanish one, is also important to explain the results. Basing upon our sample, we show that the Spanish market for partial corporate control is a market mainly determined by insiders (especially individuals or families) who look for strengthen its position in the Board. Thus, in almost two thirds of the control dealings, the buyer was one of the three largest shareholders. This can explain why from the five variables we put forward to assess their explanatory power to detect control in a block, the variable that better fits the likelihood of getting a sit on the board is one that takes into account not only the size of the control block but the previous stake as well. In addition, it includes the weight that the size of the Board of Directors and the size of the firm (in terms of equity) can have on the cost of a sit. The block size, on the contrary, shows less explanatory power in the model although it has the highest influence on the probability of achieving a sit since its weight in the control of the firm is unquestionable as the buyer can have a great influence in the decision in the general meeting to ask for a sit on the board. Others variables that try to measure the relative control in terms of the shareholder structure of the firm are less explanatory as the structure almost does not change; there is just a replacement of shareholders. This result is also found in Crespí-Cladera and Gispert (2002).

With regard to wealth distribution, and after these arguments, we can conclude that the median buyer gains what the seller loses. However, there are some evidence that might be signaling that there could be payments in kind to the seller that would have been included in the sale agreement. It seems that the median small shareholder neither gains nor loses, so the regulation seems to have achieved its goal. Nevertheless, this does not mean that in several dealings there are remarkable premiums or discounts, so in some cases we are in view of a "real" market for corporate control in which the transactions could be related to changes in the control of the firm either due to the Manne's suggested aim of a "merely civilized alternative to bankruptcy", or because the expected private benefits that a buyer wants to obtain. These specific transfers of control were related to the modification of the regulation about tender offers in Spain in 2003, in order to include them under the MBR. At last, despite the variety of goals that a buyer has to buy the control of a firm, the highly concentrated ownership structure in the listed firms makes that, in general terms, the market for corporate control under the MBR is the one which would define the main control dealings of the Spanish economy.

The future lines of research will study the private benefits linked to these transactions.

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