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Acronyms

ABS	Asset Backed Securities
AIAF	Asociación de Intermediarios de Activos Financieros (Spanish market in fixed-income securities)
ANCV	Agencia Nacional de Codificación de Valores (Spain's national numbering agency)
ASCRI	Asociación española de entidades de capital-riesgo (Association of Spanish venture capital firms)
AV	Agencia de valores (broker)
AVB	Agencia de valores y bolsa (broker and market member)
BME	Bolsas y Mercados Españoles (operator of all stock markets and financial systems in Spain)
BTA	Bono de titulización de activos (asset-backed bond)
BTH	Bono de titulización hipotecaria (mortgage-backed bond)
CADE	Central de Anotaciones de Deuda del Estado (public debt book-entry trading system)
CDS	Credit Default Swap
CEBS	Committee of European Banking Supervisors
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors
CESFI	Comité de Estabilidad Financiera (Spanish government committee for financial stability)
CESR	Committee of European Securities Regulators
CMVM	Comissão do Mercado de Valores Mobiliários (Portugal's National Securities Market Commission)
CNMV	Comisión Nacional del Mercado de Valores (Spain's National Securities Market Commission)
CSD	Central Securities Depository
EAFI	Empresa de Asesoramiento Financiero (financial advisory firm)
EC	European Commission
ECB	European Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
ECR	Entidad de capital-riesgo (venture capital firm)
EMU	Economic and Monetary Union (euro area)
ETF	Exchange traded fund
EU	European Union
FI	Fondo de inversión de carácter financiero (mutual fund)
FIAMM	Fondo de inversión en activos del mercado monetario (money-market fund)
FII	Fondo de Inversión Inmobiliaria (real estate investment fund)
FIICIL	Fondo de instituciones de inversión colectiva de inversión libre (fund of hedge funds)
FIL	Fondo de inversión libre (hedge fund)
FIM	Fondo de inversión mobiliaria (securities investment fund)
FTA	Fondo de titulización de activos (asset securitisation trust)
FTH	Fondo de titulización hipotecaria (mortgage securitisation trust)
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board

IFRS	International Financial Reporting Standards
IIC	Institución de inversión colectiva (UCITS)
IICIL	Institución de inversión colectiva de inversión libre (hedge fund)
IIMV	Instituto Iberoamericano del Mercado De Valores
IOSCO	International Organization of Securities Commissions
ISIN	International Securities Identification Number
LATIBEX	Market in Latin American securities, based in Madrid
MAB	Mercado Alternativo Bursátil (alternative stock market)
MEFF	Spanish financial futures and options market
MFAO	Mercado de Futuros del Aceite de Oliva (olive oil futures market)
MIBEL	Mercado Ibérico de Electricidad (Iberian electricity market)
MiFID	Markets in Financial Instruments Directive
MMU	CNMV Market Monitoring Unit
MoU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
OICVM	Organismo de inversión colectiva en valores mobiliarios (UCITS)
OMIP	Operador do Mercado Ibérico de Energía (Operator of the Iberian energy derivatives market)
P/E	Price/earnings ratio
RENADE	Registro Nacional de los Derechos de Emisión de Gases de Efectos Invernadero (Spain's national register of greenhouse gas emission permits)
ROE	Return on Equity
SCLV	Servicio de Compensación y Liquidación de Valores (Spain's securities clearing and settlement system)
SCR	Sociedad de capital-riesgo (Venture capital company)
SENAF	Sistema Electrónico de Negociación de Activos Financieros (electronic trading platform in Spanish government bonds)
SEPBLAC	Servicio Ejecutivo de la Comisión de Prevención del Blanqueo de Capitales e infracciones monetarias (Bank of Spain unit to combat money laundering)
SGC	Sociedad Gestora de Carteras (portfolio management company)
SGECR	Sociedad gestora de entidades de capital-riesgo (venture capital firm management company)
SGFT	Sociedad Gestora de Fondo de Titulización (asset securitisation trust management company)
SGIIC	Sociedad gestora de instituciones de inversión colectiva (UCITS management company)
SIBE	Sistema de Interconexión Bursátil Español (Spain's electronic market in securities)
SICAV	Sociedad de Inversión de Carácter Financiero (open-end investment company)
SII	Sociedad de Inversión Inmobiliaria (real estate investment company)
SIL	Sociedad de Inversión Libre (hedge fund in the form of a company)
SIM	Sociedad de Inversión Mobiliaria (securities investment company)
SME	Small and medium-sized enterprise
SON	Sistema Organizado de Negociación (multilateral trading facility)
SV	Sociedad de Valores (broker-dealer)
SVB	Sociedad de Valores y Bolsa (broker-dealer and market member)
TER	Total expense ratio
UCITS	Undertaking for Collective Investment in Tradable Securities

I Market Survey (*)

(*) This article has been prepared by staff of the CNMV Research, Statistics and Publications Department.

1 Overview

The main economic story over the two last quarters of 2010 was again one of two-speed growth, with the dynamic performance of the emerging economies contrasting with an industrialised world struggling to shake off the aftermath of the financial crisis. On current estimates, over half of world economic growth in 2010 (foreseeably close to 5%) will correspond to emerging Asia, with main advanced economies projected to contribute little more than 20%. And the latest forecasts from leading world organisations suggest this pattern will continue into the medium term. Much of the growth vigour of the emerging economies, and a few in the advanced contingent, traces to the world trade recovery that has been building gradually over the last year and a half. However, recent tensions in currency markets may threaten the sustainability of this recovery and, by extension, that of worldwide output growth.

International financial markets, particularly in Europe, entered a period of turbulence in the closing months as evidence emerged of the profound deterioration of Ireland's financial sector and public accounts. In general terms, however, both price pressures and volatility upswings were less virulent than those experienced after the Greek debt crisis in the second quarter of the year.

In international debt markets, the rise in aggregate uncertainty stoked by successive outbreaks of turbulence in European public debt markets has tended to reinforce the safe-haven status of German, U.S. and, to a lesser extent, UK paper. The resulting run-down in the yields of these ostensibly safer assets has been paralleled by fast-rising debt yields in those countries showing most signs of fiscal fragility. Overall, net international issuance has held close to the levels of 2009, the main development being an increase in sovereign debt issuance to the detriment of high credit-quality corporate bonds.

Meantime, money markets continued moving to the tune of the expansive monetary policies pursued in most industrialised countries, with official interest rates still at lows, although a number of emerging economies have begun to tighten their monetary policies.

Foreign exchange markets have found a place in the headlines these last few months, especially since the U.S. Federal Reserve's decision to renew its quantitative easing policy, and the action taken by several emerging economies to stop their currencies from rising too high, with the resultant risks of faltering competitiveness and disorderly inflows of financial capital.

Equity markets experienced a November setback after their third-quarter rally, as the Irish debt crisis came to a head. Despite this, all leading exchanges, with the exception of Spain's, closed the fourth quarter in positive territory. In full-year terms, the U.S., German and British markets achieved a notable advance, in contrast to the losses taken in Japan and a fair number of European markets.

In Spain, the zero growth of the third quarter confirmed a certain loss of economic impetus, due in part to the expiry of various stimulus measures and the July VAT hike, which caused consumers to bring forward their spending decisions. Meantime, turbulence episodes in sovereign debt markets have continued to dictate the pace of recovery. So much so that the risk premium of the Spanish bond, though it later eased slightly after agreement was reached on the rescue package for the Irish economy, and new measures put in place to bolster national finances.

The net debt issuance of Spanish companies was consistent with the trends observed in previous quarters, namely a high relative weight of public debt issues, a drying-up of issuance among non financial companies and a certain shift from national to foreign placements. Financial sector issuance declined once more after a brief third-quarter upswing, accompanied by significantly lower recourse to state guarantees.

National equity markets also had to cope with the mounting uncertainty provoked by sovereign debt market turbulence, with the Ibex 35 registering momentary falls of up to 12% compared to the 13.5% gain of the preceding quarter. Finally, the select index closed 6.2% down versus the start of the quarter and 17.4% down since the start of the year. But sovereign debt market turmoil, thankfully, has not worsened liquidity conditions, which continued to improve gradually for practically the whole year. Turnover too held up reasonably well with average daily volumes over the full-year period improving on both 2008 and 2009. Market volatility spiked in November with peak levels of 40% before easing back in the year's closing stretch, though note that these levels are a long way short of the near 70% recorded in the second quarter when the Greek sovereign debt crisis was at its height.

Summary of financial indicators

TABLE 1

	Q1 10	Q2 10	Q3 10	Q4 10*
Short-term interest rates (%)[1]				
Official interest rate	1.00	1.00	1.00	1.00
Euribor 3 month	0.64	0.73	0.88	1.02
Euribor 12 month	1.22	1.28	1.42	1.53
Exchange rates[2]				
Dollar/euro	1.35	1.23	1.36	1.34
Yen/euro	125.93	108.79	113.68	108.65
Medium and long government bond yields[3]				
Euro area				
3 year	1.17	0.65	0.77	1.16
5 year	2.15	1.50	1.36	1.91
10 year	3.12	2.63	2.33	2.90
United States				
3 year	1.49	1.15	0.73	0.98
5 year	2.42	1.98	1.40	1.92
10 year	3.72	3.19	2.64	3.29
Credit risk premiums: BBB-AAA spread (basis points)[3]				
Euro area				
High yield	588	671	510	462
BBB	184	215	176	170
AAA	31	17	18	14
United States				
High yield	502	603	563	461
BBB	140	194	181	145
AAA	51	59	49	37
Equity markets				
Performance of main world stock indices (%)[4]				
Euro Stoxx 50	-1.1	-12.2	6.8	1.6
Dow Jones	4.1	-10.0	10.4	7.3
Nikkei	5.2	-15.4	-0.1	9.2
Other indices (%)				
Merval (Argentina)	2.3	-7.9	21.0	33.3
Bovespa (Brazil)	2.6	-13.4	13.9	-0.1
Shanghai Comp (China)	-5.1	-22.9	10.7	5.7
BSE (India)	0.8	1.5	12.5	0.4
Spanish stock market				
Ibex 35 (%)	-9.0	-14.8	13.5	-6.2
P/E of Ibex 35[5]	10.9	9.8	10.0	9.7
Volatility of Ibex 35 (%)[6]	23.9	37.8	29.6	26.9
SIBE trading volumes[7]	3,637	4,743	3,260	4,596

Source: CNMV, Thomson Datastream, Bloomberg, Reuters, Banco de España, Bolsa de Madrid, MEFF and AIAF.

* Latest available data at the time of preparing this report.

1 Monthly average of daily data. The official interest rate corresponds to the marginal rate at weekly auctions at the period close. Data for the fourth quarter correspond to the average from 1 to 31 December.

2 Data at period end. Data for the fourth quarter of 2010 correspond to 31 December.

3 Monthly average of daily data. Data for the fourth quarter 2010 run from 1 to 31 December.

4 Cumulative quarterly change in each period; up to 31 December in the case of the fourth quarter.

5 Price-earnings ratio. Data for the fourth quarter 2010 correspond to 31 December.

6 Implied at-the-money (ATM) volatility on nearest expiry at period end.

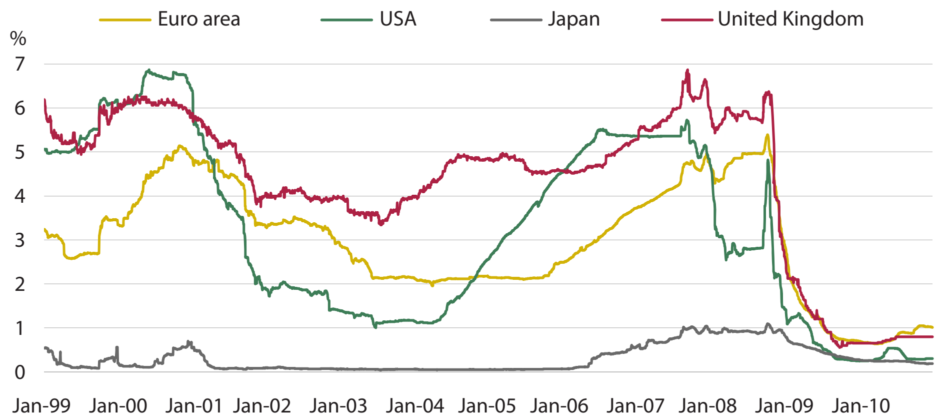
7 Daily average in million euros.

2 International financial background

2.1 Short-term interest rates

Short-term rates stayed low in major advanced economies over the second half of 2010, in line with the official price of money, though the closing months brought an uptick in euro area three-month rates that traces presumably to the renewed turbulence on sovereign debt markets (see figure 1). Headline inflation was driven higher in the year by the rising prices of energy and non energy commodities, while underlying rates remained practically flat.

Three-month interest rates[1] FIGURE 1



Source: Thomson Datastream.

1 Data to 31 December.

Official interest rates in the euro area, United States, United Kingdom and Japan held more or less constant throughout the year (see table 2). Short-term rates strained slightly higher in the euro area, while those in the United Kingdom have remained unvaried since mid-2010. Conversely, short rates in the United States fell steadily through the second half to close the year near their start-out levels, after gaining more than 25 basis points (bp) across the board in the second-quarter period. This same pattern was repeated in Japan across all short-term maturities. More expensive short-term financing in the euro area (where rates tripled those of the United States) reflects increased risk sentiment regarding sovereign debt.

Short-term interest rates[1] TABLE 2

%	Dec 06	Dec 07	Dec 08	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10[2]
Euro area								
Official[3]	3.50	4.00	2.50	1.00	1.00	1.00	1.00	1.00
3 month	3.69	4.84	3.27	0.71	0.64	0.73	0.88	1.02
6 month	3.79	4.81	3.34	1.00	0.95	1.01	1.14	1.25
12 month	3.93	4.79	3.43	1.24	1.22	1.28	1.42	1.53
United States								
Official[4]	5.25	4.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month	5.36	4.97	1.80	0.25	0.27	0.54	0.29	0.30
6 month	5.35	4.82	2.15	0.45	0.41	0.75	0.48	0.46
12 month	5.24	4.42	2.36	1.00	0.87	1.19	0.80	0.78
United Kingdom								
Official	4.50	5.00	2.00	0.50	0.50	0.50	0.50	0.50
3 month	4.58	5.26	2.99	0.65	0.65	0.75	0.80	0.80
6 month	4.58	5.34	3.12	0.95	0.85	1.05	1.05	1.05
12 month	4.60	5.47	3.25	1.45	1.35	1.45	1.50	1.50
Japan								
Official[5]	0.25	0.50	0.10	0.10	0.10	0.10	0.10	0.10
3 month	0.56	0.98	0.91	0.28	0.25	0.24	0.22	0.18
6 month	0.63	1.03	1.01	0.48	0.45	0.45	0.43	0.35
12 month	0.74	1.10	1.12	0.70	0.68	0.67	0.66	0.57

Source: Thomson Datastream.

1 Average daily data except official rates, which correspond to the last day of the period.

2 Average data from 1 to 31 December.

3 Marginal rate at weekly auctions.

4 Federal funds rate.

5 Monetary policy rate.

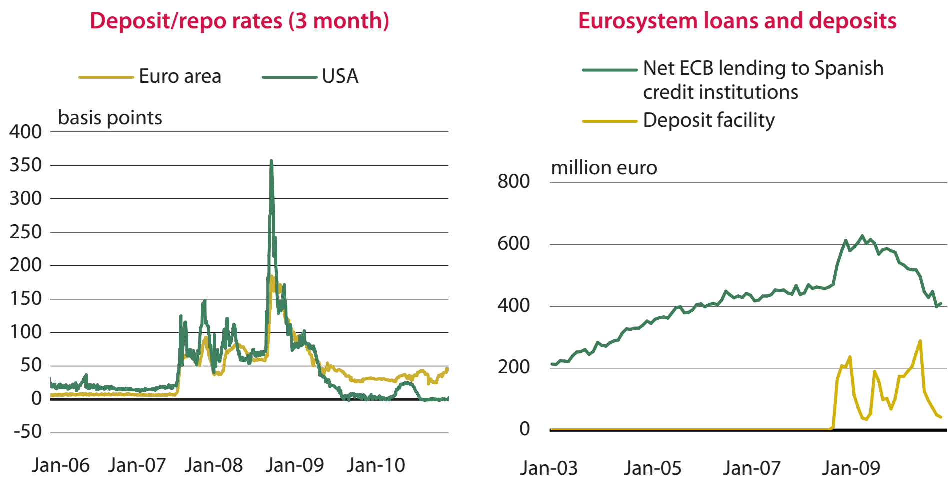
In the money markets, the spread between deposit and repo rates in the United States and euro area held stable over the second-half period. The slightly wider spread observable in Europe may reflect a degree of distrust in the European banking system, especially in light of the instability episodes affecting Europe's sovereign debt markets.

Euro-area financial institutions continued to reduce borrowing from the Eurosystem in the year's second half, after the highs reached in mid-2009, and are now more or less back to their pre-crisis levels (around 400 billion, see figure 2). Further, the relative weight of Eurosystem funding sources has varied in recent quarters, with the average term of loans significantly shorter after the phase-out of certain extraordinary measures adopted by the ECB.

Other salient developments were institutions' dwindling recourse to the deposit facility, with just over 42 billion euros held in November compared to a June high of nearly 290 billion, and spikes in use of the marginal lending facility during the tensest moments on sovereign debt markets, especially in May and November 2010.

Interbank spreads and Eurosystem financing

FIGURE 2

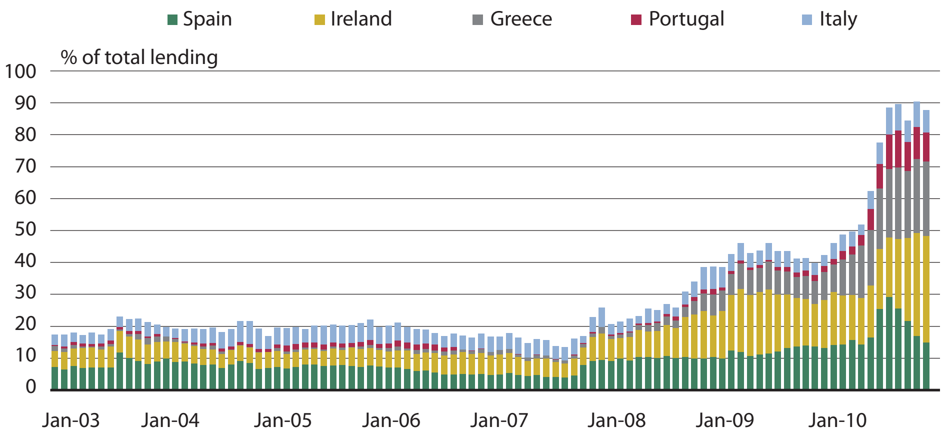


Source: Thomson Datastream. Spread data to 31 December. Eurosystem data to November.

As we can see from figure 3, recourse to Eurosystem financing by financial institutions in Europe's peripheral economies began to build up at the onset of the crisis and has expanded sharply over 2010. Specifically, the aggregate amount channelled to financial institutions in Greece, Ireland, Portugal, Spain and Italy was close to 90% in the year's final months, compared to 20% before the crisis broke. That said, take-up by these countries' institutions varied in the second half, with Spanish banks scaling back their Eurosystem borrowings, Irish banks absorbing a growing share and Greek, Portuguese and Italian institutions maintaining a more or less flat percentage of the total.

Eurosystem lending to more vulnerable European countries

FIGURE 3



Source: Central banks and CNMV. Data to November.

Looking ahead, the view seems to be that official interest rates will hold at their current lows, at least for a few more months. The 3-month forward rates coming through at mid-December 2010 discounted increases of approximately 15 bp in both the U.S. and euro area on a six-month horizon, but slightly higher increases in the U.S. (48 bp vs. 33 bp for the euro area) if we pan out to one year (see table 3).

Three-month forward rates (FRAs)[1]

TABLE 3

%	Dec 06	Dec 07	Dec 08	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10
Euro area								
Spot	3.73	4.68	2.89	0.70	0. 63	0. 77	0. 89	1.01
FRA 3x6	3.94	4.52	2.17	0.82	0. 80	0. 97	1. 08	1.04
FRA 6x9	4.07	4.42	1.97	1.21	1. 01	1. 05	1. 26	1.13
FRA 9x12	4.13	4.33	2.13	1.61	1. 14	1. 12	1. 28	1.23
FRA 12x15	4.13	4.30	2.22	1.90	1. 29	1. 18	1. 33	1.34
U.S.								
Spot	5.36	4.70	1.43	0.25	0. 29	0. 53	0. 29	0.30
FRA 3x6	5.31	4.15	1.07	0.42	0. 40	0. 72	0. 37	0.39
FRA 6x9	5.21	3.69	1.16	0.77	0. 64	0. 76	0. 43	0.47
FRA 9x12	5.06	3.45	1.29	1.23	0. 91	0. 85	0. 50	0.61
FRA 12x15	4.94	3.36	1.45	1.59	1. 28	0. 95	0. 60	0.78

Source: Thomson Datastream.

1 Data at period end.

2.2 Exchange rates

After depreciating heavily in the first half of 2010, the European currency began to pick up in the following months, helped along by the U.S. Federal Reserve's decision to restart quantitative easing. Recovery, however, was broken off by November's instability episode in the Irish sovereign debt market, and it declined anew to the end of the year albeit to a smaller extent than in the first six months. Finally, the euro gained 8.9% against the U.S. currency in the year's second half by way of a November high of 1.42 dollars, while staying on an even keel against the Japanese yen.

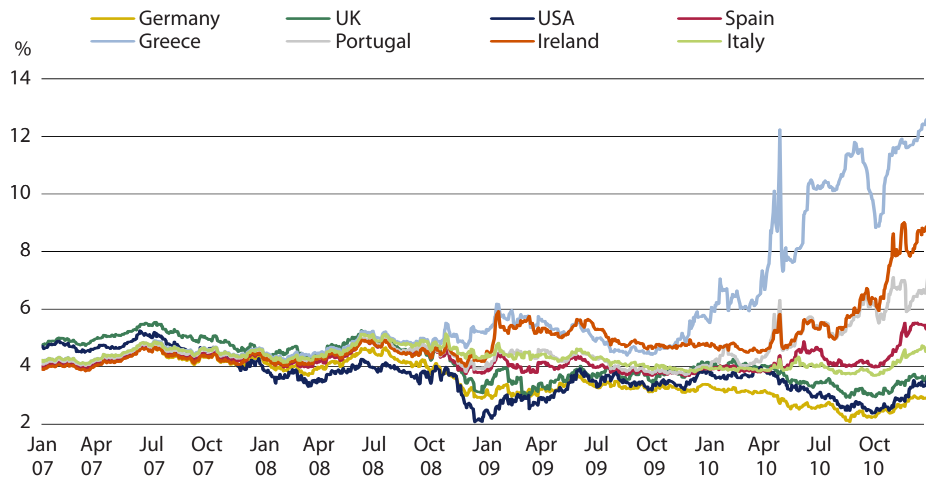
2.3 Long-term interest rates

The rise in aggregate uncertainty caused by the European debt market turbulence has tended to intensify the safe-haven role of German, U.S. and, in smaller measure, UK paper. As figure 4 shows, these turbulence-provoked "flight to quality" episodes have simultaneously reduced the yields of what are viewed as safer assets and pushed up those of countries displaying more elements of fragility.

The publication of the stress tests run on European banks in July 2010 and the ECB's exceptional decision to purchase the sovereign debt of euro area countries brought a temporary respite to the bond spreads which had widened fastest to that point. But the deterioration of Ireland's financial sector and public accounts, made manifest at the start of November, fuelled renewed uncertainties about the fiscal health of the euro area's peripheral economies.

Long-term government bond yields

FIGURE 4



Source: Thomson Datastream. Data to 31 December.

Long government bond yields headed lower over the third quarter in main world regions, then resumed an upward path in the closing months, most intensely of all in the euro area. By end-2010, sovereign yields in three-, five- and ten-year tenors stood between 30 bp and 62 bp lower than their 2009 levels, except in the case of Japan (see table 4). Ten-year rates, specifically, closed at 2.9% in the euro area, 3.29% in the United States, 3.61% in the United Kingdom and 1.18% in Japan.

Medium and long government bond yields[1]

TABLE 4

%	Dec 06	Dec 07	Dec 08	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10
Euro area								
3 year	3.75	3.96	2.07	1.55	1.17	0.65	0.77	1.16
5 year	3.77	4.04	2.50	2.27	2.15	1.50	1.36	1.91
10 year	3.80	4.27	3.04	3.22	3.12	2.63	2.33	2.90
United States								
3 year	4.58	3.12	1.07	1.37	1.49	1.15	0.73	0.98
5 year	4.53	3.49	1.51	2.33	2.42	1.98	1.40	1.92
10 year	4.57	4.10	2.40	3.59	3.72	3.19	2.64	3.29
United Kingdom								
3 year	5.00	4.48	2.60	1.67	1.87	1.31	0.93	1.14
5 year	4.94	4.61	2.80	2.69	2.79	2.19	1.71	2.07
10 year	4.64	4.63	3.33	3.94	4.02	3.43	3.12	3.61
Japan								
3 year	0.90	0.78	0.60	0.21	0.20	0.18	0.15	0.25
5 year	1.21	1.04	0.80	0.47	0.50	0.39	0.30	0.46
10 year	1.64	1.53	1.31	1.26	1.34	1.20	1.05	1.18

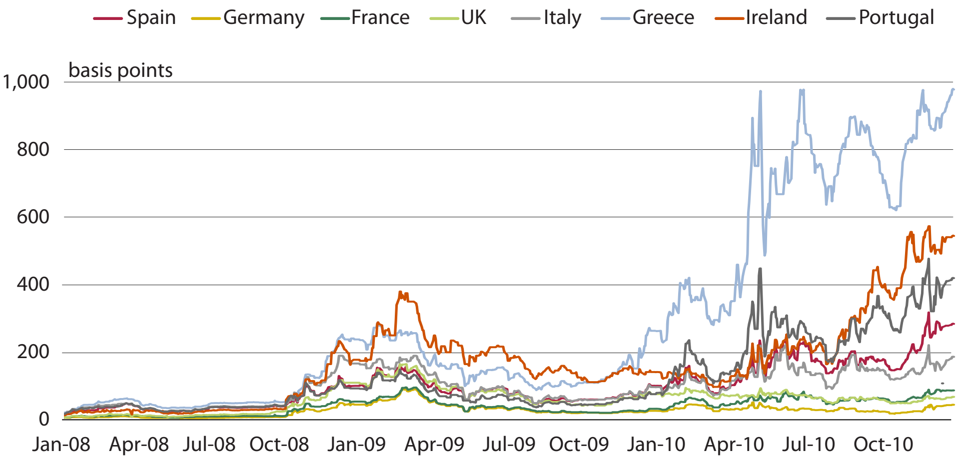
Source: Thomson Datastream.

1 Monthly average of daily data.

The public debt markets of euro-area peripheral countries come under mounting pressure as the year progressed, which drove their sovereign risk indicators higher on average (see figure 5). First, the onset of the Greek sovereign debt crisis sparked an across-the-board rise in CDS premiums, which in May reached historic highs. The run-up in risk premiums was halted, however, by the European Union's approval that same month of an IMF-backed financial assistance mechanism, the passage of fiscal retrenchment plans in various European economies and ECB-sponsored measures to bolster liquidity in a number of public and private debt markets.

But starting August, the CDS prices of peripheral countries escalated once more as awareness grew of the weakness of Ireland's public finances (see figure 5). After the rescue deal for the Irish economy approved on 28 November,[1] the sovereign CDS of the worst hit economies headed tentatively lower, but this was not to last and the year closed with another bout of nerves on euro-area debt markets.

Government bond risk premiums (five-year CDS) FIGURE 5



Source: Thomson Datastream. Data to 31 December.

It bears mention, however, that the knock-on effect of these recent instabilities on the spreads of rated European and U.S. corporate bonds is apparently not as severe as after the previous outbreak in April-June this year (see table 5). Indeed U.S. and euro-area corporate spreads continued to ease over the year's second half and by the deadline for this report were at levels similar to those in place pre-crisis across all credit qualities.

Corporate bond risk premiums[1] TABLE 5

Spread versus 10-year government bonds, basis points

	Dec 06	Dec 07	Dec 08	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10
Euro area								
High yield	332	462	2,181	714	588	671	510	462
BBB	94	163	621	242	184	215	176	170
AAA	25	82	160	28	31	17	18	14
United States								
High yield	331	541	1,923	582	502	603	563	461
BBB	129	222	737	189	140	194	181	145
AAA	58	105	315	51	51	59	49	37

Source: Thomson Datastream.

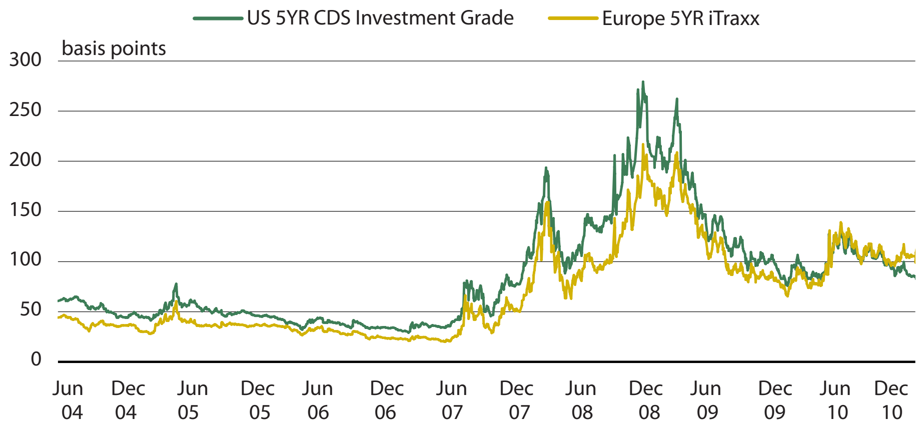
1 Monthly average of daily data.

A similar picture emerges from the credit risk indices most used in the U.S. and Europe (CDX and iTraxx respectively, constructed from the CDS prices of component

1 The Irish rescue package was agreed on 28 November between the Irish authorities, on one hand, and the EU, IMF and ECB on the other, and formally approved by the ECOFIN (economy and finance ministers of the EU-27) at its meeting on 7 December 2010. The facility will comprise 85 billion euros in all, most of it in the form of guarantees.

issuers). As we can see from figure 6, both have been falling since June, though with the European index underperforming its U.S. counterpart in the last part of the year.

Credit risk indices[1] FIGURE 6



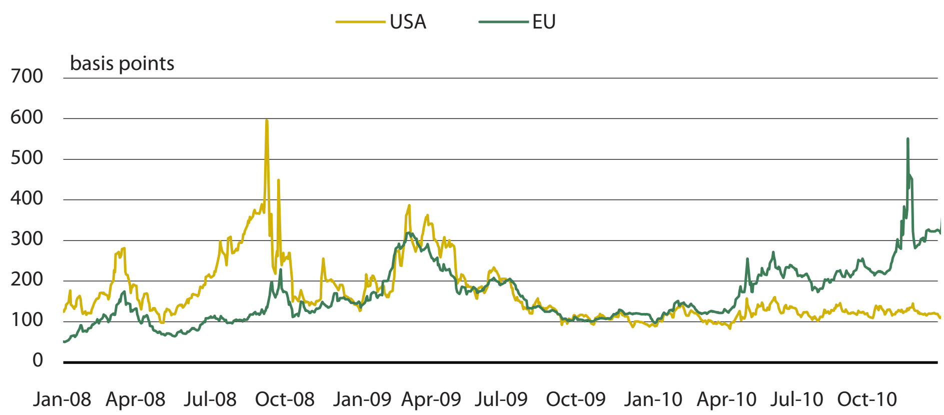
Source: Bloomberg.

1 Data to 31 December.

- Investment grade: issues rated BBB- or higher in the case of S&P and Baa3 or higher in the case of Moody's.

Where successive sovereign debt crises have left their biggest mark is on the credit spreads of European financial institutions. Figure 7 shows how the credit risk premiums of European financial issuers have been diverging from those of U.S. banks since the second quarter of the year. By end-December, according to CMA estimates, European bank spreads were back to 325 bp, after the relief provided by the Ireland deal, compared to the 120 bp observed for banks in the United States.

Bank sector credit spreads, CMA (5-year CDS) FIGURE 7



Source: Thomson Datastream, indices drawn up by CMA. Data to 31 December.

Net international issuance closed the year at a level similar to in 2009 (6.2 vs. 6.3 billion dollars respectively) albeit with significant changes in the mix by instrument and type of issuer. As we can see from the first graph in figure 8, sovereign debt issues conserved their lead in volume while scaling up to 62% of total issuance from last year's 59%. Meantime, net securitisation issues staged a first-half comeback which lifted their share from last year's 13% to 20% in 2010. Remember, however, that trends in this market may be strongly influenced by the securitisation market reactivation measures deployed last summer by the U.S. Federal Reserve.

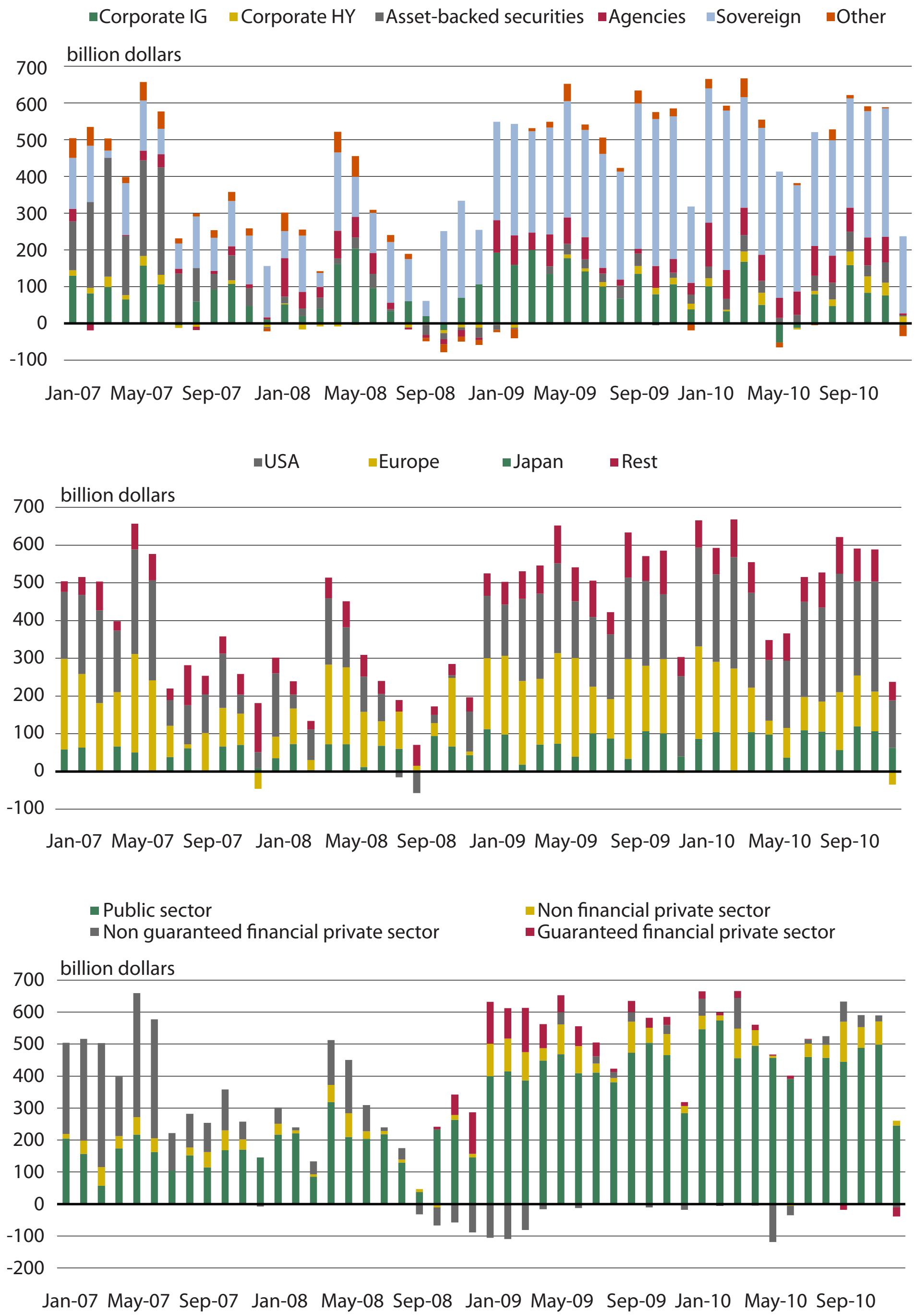
Changes in the corporate debt issuance mix by instrument were largely about credit quality. So while investment grade issues dropped to half, lowering their share of the total from 24% to 12%, issues of high-yield bonds tripled in volume, working up from around 1% of fixed-income issuance in 2009 to 4% in 2010.

Another of the year's key trends was the realignment of borrower regions, with sharply contracting issuance in Europe (down by over 32% versus 2009), offset by rising issue volumes in the U.S. and Japan (up 24% and 12% respectively). The result is that net debt issuance by U.S. borrowers was 46% of the worldwide total at the closing date for this report, compared to the 23% of Europeans and the 16% of the Japanese (see figure 8, graph 2).

By issuer, the public sector was again to the fore with 9% higher issue volumes, contrasting with a fall in private-sector volumes that was especially intense in the financial sector (around 66%). Since the financial crisis erupted in 2007, public sector issuance has built up steadily from the 1.8 trillion dollars recorded that year to 5.5 trillion in 2010. Conversely, financial institution debt issuance has receded sharply in both straight-number terms (from 2.4 trillion dollars in 2007 to 0.17 trillion in 2010) and as a share of the total (from 52% in 2007 to 3% in 2010). But while in 2008 this decline in private issuance traced basically to U.S. institutions, in 2010 it was mainly Europe's banks that opted to forgo their debt financing.

Net debt issuance in international markets FIGURE 8

By financial instrument, region and type of issuer



Source: Dealogic. Data to 31 December.

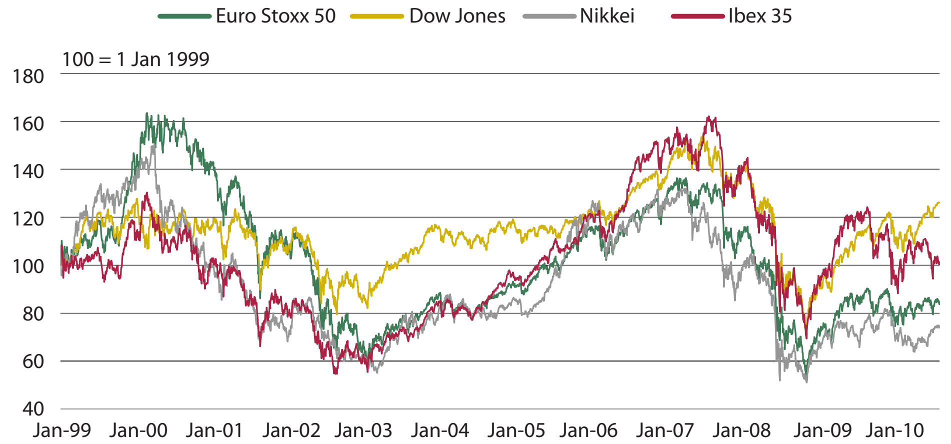
2.4 International stock markets

Main international stock indices posted substantial gains over the third and fourth quarter of the year (see table 6 and figure 9). In the third quarter, investors' relief at the results of stress tests run on European financial institutions and the more robust feel of world economic recovery bolstered share prices on all leading markets, except in Japan.

The fourth quarter started well with news of the Federal Reserve's purchase of U.S. government debt and some positive earnings reports from American corporates. But the disruption emanating from Ireland cut short the bull run on almost all main markets. Even so, most leading indices except the Ibex 35 managed to stay in positive territory, by a considerable margin in the case of the U.S. and Japan. In Europe, the salient development was the strong run-up of the German Dax and the British FTSE 100.

Finally, United States indices took the lead with full-year advances of between 11% and 16.9%, followed by the German Dax (16.1%) and, at a distance, the FTSE 100 (9%). Japanese equity markets lost a little less than 1%, while the picture in Europe was complicated by successive outbreaks of sovereign debt market turmoil, which affected each country with differing intensity.

Performance of main stock indices[1] FIGURE 9



Source: Thomson Datastream.

1 Data to 31 December.

Performance of main world indices[1] TABLE 6

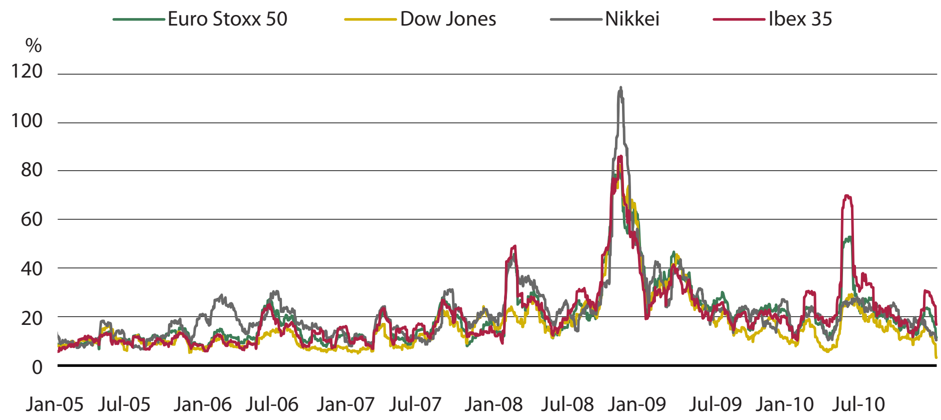
	2005	2006	2007	2008	2009	2010	Q1 10	Q2 10	Q3 10	Q4 10
World										
MSCI World	**7.6**	**18.0**	**7.1**	**-42.1**	**27.0**	9.6	2.7	-13.3	13.2	8.6
Euro area										
Euro Stoxx 50	21.3	15.1	6.8	-44.4	21.1	-5.8	-1.1	-12.2	6.8	1.6
Euronext 100	23.2	18.8	3.4	-45.2	25.5	1.0	2.2	-10.5	7.5	2.8
Dax 30	27.1	22.0	22.3	-40.4	23.8	16.1	3.3	-3.1	4.4	11.0
Cac 40	23.4	17.5	1.3	-42.7	22.3	-3.3	1.0	-13.4	7.9	2.4
Mib 30	13.9	19.0	-8.0	-48.7	20.7	-8.7	-0.4	-14.7	6.2	1.1
Ibex 35	*18.2*	*31.8*	*7.3*	*-39.4*	*29.8*	*-17.4*	*-9.0*	*-14.8*	*13.5*	*-6.2*
United Kingdom										
FTSE 100	16.7	10.7	3.8	-31.3	22.1	9.0	4.9	-13.4	12.8	6.3
United States										
Dow Jones	-0.6	16.3	6.4	-33.8	18.8	11.0	4.1	-10.0	10.4	7.3
S&P 500	3.0	13.6	3.5	-38.5	23.5	12.8	4.9	-11.9	10.7	10.2
Nasdaq-Cpte	1.4	9.5	9.8	-40.5	43.9	16.9	5.7	-12.0	12.3	12.0
Japan										
Nikkei 225	40.2	6.9	-11.1	-42.1	19.0	-3.0	5.2	-15.4	-0.1	9.2
Topix	43.5	1.9	-12.2	-41.8	5.6	-1.0	7.8	-14.0	-1.4	8.4

Source: Datastream.

1 In local currency.

After a calm third quarter, volatility indicators swung higher in November as turbulence returned to Europe's sovereign debt markets. However, as figure 10 shows, the spike was far less dramatic than during the earlier episode associated to the Greek debt crisis. In the year's closing days, moreover, volatility again died down considerably on main world bourses.

Historical volatility of main stock indices[1] FIGURE 10



Source: Thomson Datastream.

1 Data to 31 December.

Growth in the dividend yield of main world bourses tended to level off after a strong first half (see table 7). European markets continued to outperform their U.S. and Japanese counterparts (both in the neighbourhood of 2%) with yields ranging from the 2.9% of Germany's Dax 30 to the 5.9% of the Ibex 35.

Dividend yield of main stock indices TABLE 7

%	2006	2007	2008	2009	2010	Mar 10	Jun 10	Sep 10	Dec 10[1]
S&P 500	1.9	2.2	3.5	2.3	2.2	2.2	2.5	2.4	2.2
Topix	1.1	1.5	2.7	1.8	1.9	1.7	1.9	2.0	1.9
Euro Stoxx 50	3.5	3.7	7.5	4.2	4.8	4.3	4.7	4.8	4.8
Euronext 100	3.3	3.8	7.9	4.2	4.3	4.2	4.3	4.4	4.3
FTSE 100	3.8	3.9	5.8	3.7	3.8	3.5	4.2	4.0	3.8
Dax 30	2.3	2.5	5.4	3.5	2.9	3.2	3.1	3.1	2.9
Cac 40	3.8	4.3	8.1	5.0	5.2	5.0	5.3	5.3	5.2
Mib 30	3.7	3.8	8.6	3.4	3.8	3.7	3.9	3.8	3.8
Ibex 35	3.0	3.1	6.2	3.9	5.9	4.5	5.3	5.6	5.9

Source: Thomson Datastream.

1 Data to 31 December.

The price-earnings ratios (P/E) of main international stock indices held more or less flat after the downtrend of the first-half period. The exception was Japan, though here too the correction was less severe than to mid-year (see table 8). The result was that U.S. multiples drew closer to those of Japan and diverged a little more from those of European markets. Index-by-index comparison shows that U.S. and Japanese markets (13.1 for the S&P 500 and 13.4 for the Topix) conserved their overall lead vs. European counterparts (from the 9.5 of the Euro Stoxx 50 to the 10.8 of the Dax 30). Note finally that from a long-term perspective, today's P/Es remain relatively low (see figure 11).

P/E[1] of main stock indices

TABLE 8

	2006	2007	2008	2009	2010	Mar 10	Jun 10	Sep 10	Dec 10[2]
S&P 500	15.1	14.7	11.3	14.6	13.1	14.2	12.3	12.4	13.1
Topix	17.8	15.1	15.6	19.3	13.6	17.7	15.3	13.4	13.6
Euro Stoxx 50	12.2	11.6	7.8	11.5	9.5	11.0	9.8	9.5	9.5
Euronext 100	12.9	12.3	8.3	12.7	10.6	12.5	11.2	10.7	10.6
FTSE 100	12.4	12.1	8.3	12.5	10.5	11.8	9.8	10.2	10.5
Dax 30	12.8	12.3	8.8	12.7	10.8	12.2	11.2	10.3	10.8
Cac 40	12.7	11.8	8.0	12.1	10.0	11.8	10.4	10.0	10.0
Mib 30	13.1	11.5	7.6	12.4	10.0	12.1	10.5	10.1	10.0
Ibex 35	14.3	13.0	8.7	12.3	9.7	10.9	9.8	10.0	9.7

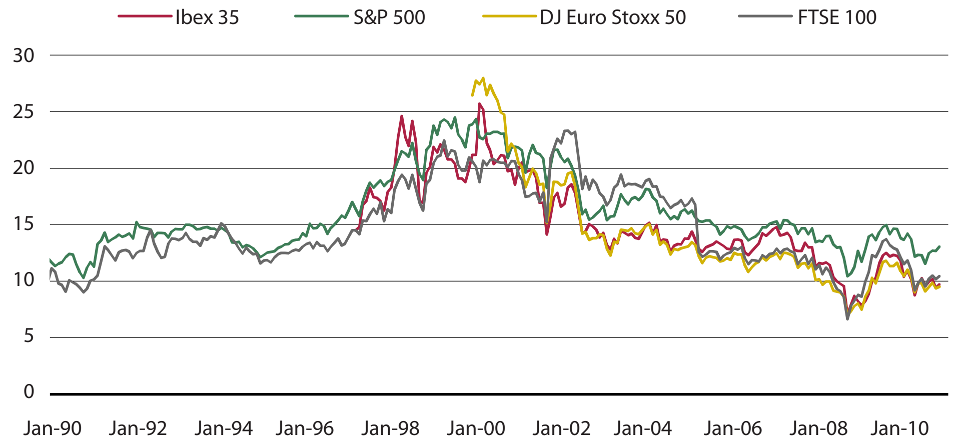
Source: Thomson Datastream.

1 The earnings per share making up the ratio denominator is based on 12-month forecasts.

2 Data to 31 December.

P/E[1] of main stock indices

FIGURE 11



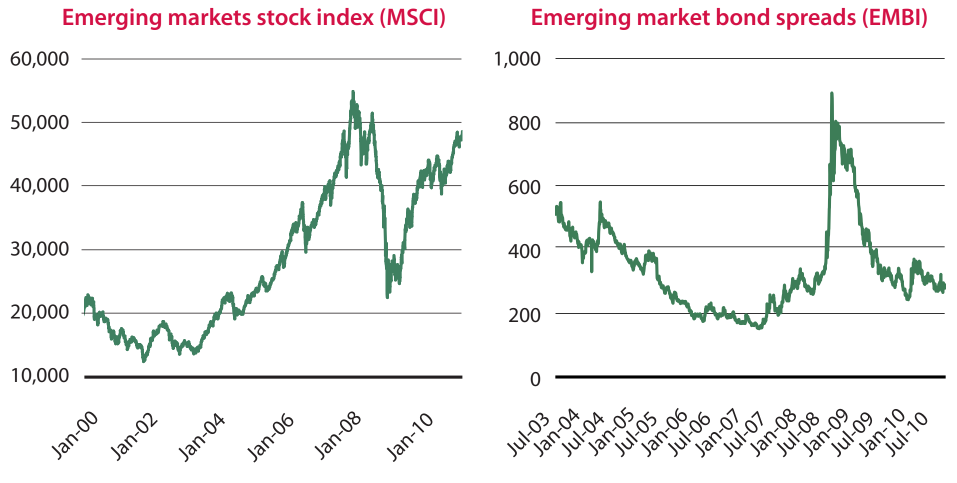
Source: Thomson Datastream. Data to 31 December.

1 The earnings per share making up the ratio denominator is based on 12-month forecasts.

Emerging stock markets by and large outperformed their counterparts in the industrialised economies (see table 9), though they also felt some fall-out from the instability episodes affecting European sovereign paper, especially during the throes of the Greek debt crisis. By the third quarter, however, they were again pulling ahead, with strong advances in Asia (the Chinese stock market managed a third-quarter gain of 11% after the 23% slump of the second quarter), and in Brazil, where the market rose by 14% after the 13% losses of the second quarter.

By the end of the year, the aggregate stock and bond indices of emerging economies (see figure 12) were testing the levels in place before turmoil erupted in August 2007. This may owe in part to their sturdier growth prospects, though we cannot rule out a certain undervaluation of the risks present in some markets.

Risk valuation in emerging economies FIGURE 12



Source: Thomson Datastream and Bloomberg. Data to 31 December.

Performance of other international stock indices TABLE 9

	Index	2007	2008	2009	2010	Q1 10	Q2 10	Q3 10	Q4 10
Latin America									
Argentina	Merval	2.9	-49.8	115.0	51.8	2.3	-7.9	21.0	33.3
Brazil	Bovespa	43.7	-41.2	82.7	1.1	2.6	-13.4	13.9	-0.1
Chile	IGPA	13.8	-19.6	46.9	38.2	6.1	6.8	18.6	2.8
Mexico	IPC	11.7	-24.2	43.5	20.0	3.6	-6.3	7.0	15.7
Peru	IGRA	36.0	-59.8	99.2	66.4	7.7	-7.6	27.8	30.8
Venezuela	IBC	-27.4	-7.4	57.0	18.6	5.9	11.7	0.2	0.1
Asia									
China	Shanghai Comp.	96.7	-65.4	80.0	-14.3	-5.1	-22.9	10.7	5.7
India	BSE	59.7	-55.3	85.0	15.7	0.8	1.5	12.5	0.4
South Korea	Korea Cmp. Ex	32.3	-40.7	49.7	21.9	0.6	0.3	10.3	9.5
Philippines	Manila Comp.	21.4	-48.3	63.0	37.6	3.6	6.7	21.6	2.5
Hong Kong	Hang Seng	39.3	-48.3	52.0	5.3	-2.9	-5.2	11.1	3.0
Indonesia	Jakarta Comp.	52.1	-50.6	87.0	46.1	9.6	4.9	20.2	5.8
Malaysia	Kuala Lumpur Comp.	31.8	-39.3	45.2	19.3	3.8	-0.5	11.4	3.8
Singapore	SES All-S'Pore	18.7	-49.2	64.5	10.1	-0.4	-1.8	9.2	3.0
Thailand	Bangkok SET	26.2	-47.6	63.2	40.6	7.3	1.2	22.3	5.9
Taiwan	Taiwan Weighted Pr.	8.7	-46.0	78.3	9.6	-3.3	-7.5	12.4	8.9
Eastern Europe									
Russia	Russian RTS Index	19.2	-72.4	128.6	22.5	8.9	-14.8	12.6	17.4
Poland	Warsaw G. Index	10.4	-51.1	46.9	18.8	6.2	-7.2	14.8	5.0
Rumania	Romania BET	22.1	-70.5	61.7	12.3	27.2	-20.5	12.5	-1.3
Bulgaria	Sofix	44.4	-79.7	19.1	-15.2	-1.4	-11.5	3.8	-6.4
Hungary	BUX	5.6	-53.3	73.4	0.5	14.2	-13.2	10.4	-8.2
Croatia	CROBEX	63.2	-67.1	16.4	5.3	6.9	-13.4	3.3	10.2

Source: Thomson Datastream.

According to the World Federation of Exchanges (WFE), worldwide stock market turnover rose 3% year on year as far as 58.3 trillion dollars in November 2010, compared to the 32% slump of the year-before period. Recovery traced primarily to a trading surge in emerging stock markets, including China and Brazil. Among the advanced contingent, the Australian exchange marked up an impressive progression of 35%, followed at a distance by the Spanish and German exchanges with 17% and 8% respectively, and the NYSE Euronext, with 5%. At the other extreme, the Greek and Irish markets saw turnover contract by 30% and 13% respectively.

Turnover on main international stock markets TABLE 10

Billion euros

Exchange	2007	2008	2009	2010[4]	Q1 10	Q2 10	Q3 10	Q4 10[5]
United States[1]	32,758	48,488	22,451	21,681	5,365	7,389	5,415	3,513
New York	21,177	23,042	12,627	12,627	2,996	4,301	3,218	2,112
Tokyo	4,713	3,816	2,656	2,626	674	817	657	477
London[2]	7,545	4,374	1,270	1,949	510	639	475	325
Euronext	4,102	3,028	1,383	1,430	375	466	348	241
Deutsche Börse	3,144	3,211	1,084	1,159	309	391	280	179
BME[3]	1,666	1,243	886	1,037	229	299	215	294

Source: World Federation of Exchanges and CNMV.

1 As of 2009, the sum of the New York Stock Exchange (NYSE), Euronext and Nasdaq; previously the New York Stock Exchange, Nasdaq and the American Stock Exchange.

2 Incorporating Borsa Italiana as of 2010.

3 Bolsas y Mercados Españoles. Not including Latibex.

4 Year-to-date data to November, except BME, which includes the first fortnight in December.

5 Data for October and November, except BME, which includes the whole of the fourth quarter.

3 Spanish markets

3.1 Fixed-income markets

Domestic fixed-income markets were also shaken by the instability episodes affecting European sovereign debt, which caused short rates to fluctuate across all maturities regardless of the nature of the issuer (public or private).

Three-, six- and twelve-month Letras del Tesoro rates eased between 13 and 48 bp from the highs reached in June after the Greek debt crisis, to close the third-quarter period at 0.65%, 1.14% and 1.72% respectively. Then the Irish debt crisis sent them climbing once more, by almost 1.5 points in the case of longer-dated bills. The result was that by end-December, three-, six- and twelve-month yields were back to 1.60%, 2.71% and 3.09%.

Commercial paper rates in most cases traced a gently ascendant course. In the year's second half, rates on three- and six-month paper climbed from 0.93% and 1.44% to 1.37% and 2.52% respectively. Twelve-month rates were back above 3% at the annual close, after dropping to 2.68% in the third quarter (see table 11).

Short-term interest rates[1] TABLE 11

%	Dec 07	Dec 08	Dec 09	Dec 10	Mar 10	Jun 10	Sep 10	Dec 10
Letras del Tesoro								
3 month	3.90	2.00	0.42	1.60	0.55	0.99	0.65	1.60
6 month	4.03	2.09	0.65	2.71	0.53	1.25	1.14	2.71
12 month	4.02	2.10	0.88	3.09	0.72	2.07	1.72	3.09
Commercial paper[2]								
3 month	4.54	3.09	0.76	1.37	0.81	0.93	1.21	1.37
6 month	4.83	3.63	1.25	2.52	1.31	1.44	2.21	2.52
12 month	4.87	3.74	1.63	3.04	1.93	3.12	2.68	3.04

Source: Thomson Datastream and CNMV.

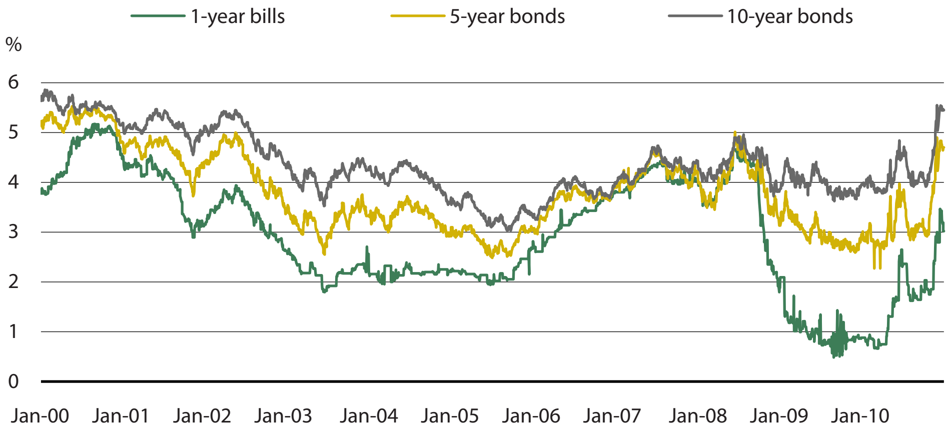
1 Average daily data. December data to 30/12.

2 Interest rates at issue.

Long government yields charted a similar course in the year's second half, with third-quarter dips (between 50 and 70 bp depending on the maturity) giving way to a sharp fourth-quarter run-up (between 1.26 and 1.56 points, see figure 13). By end-December, three-, five- and ten-year Spanish bonds were yielding 3.9%, 4.7% and 5.5% respectively, a long way above the 2.5%, 3% and 4% of one year before.

As happened with the Greek debt crisis in the year's opening months, the fourth-quarter jump in Spanish government yields was accompanied by an escalating sovereign risk premium, which reached an end-November peal of 291 bp over the German benchmark, with the 5-year CDS priced at 318 bp. It then eased back slightly towards the end of December after agreement was reached on the Irish rescue package and new measures launched to strengthen domestic finances.

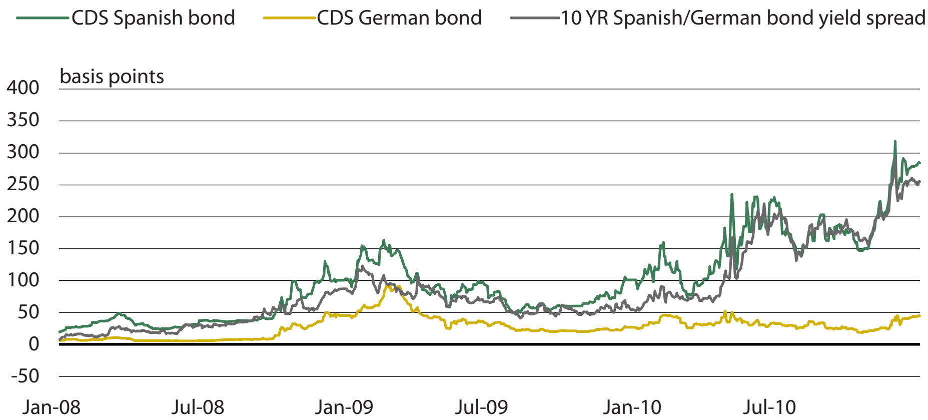
Spanish government debt yields[1] FIGURE 13



Source: Thomson Datastream.

1 Data to 31 December.

Risk premium of Spanish government debt[1] FIGURE 14



Source: Thomson Datastream.

1 Data to 31 December.

Long-term yields in corporate debt markets charted a similar course to their public debt equivalents. Hence, the highs of the second quarter were followed by a fall in rates (except in the ten-year maturity) which gave way in turn to a fourth-quarter run-up (of between 0.78 and 1.29 points depending on the maturity) as far as average December yields of 4.31%, 5.4% and 6.42% at three, five and ten years respectively (see table 12).

The credit spreads of Spanish private-sector issuers, both financial and non financial, also mirrored the progress of sovereign risk premiums, with substantial falls in the third quarter followed by a swift rebound to the values reached in May 2010, at the height of the Greek debt crisis. Note that the increase was steeper among financial than non financial issuers. Specifically, the risk premium of Spanish banks was around 450 bp on average by end-December compared to the 200 bp plus of non financial entities (see figure 15).

Medium and long-term corporate bond rates[1]

TABLE 12

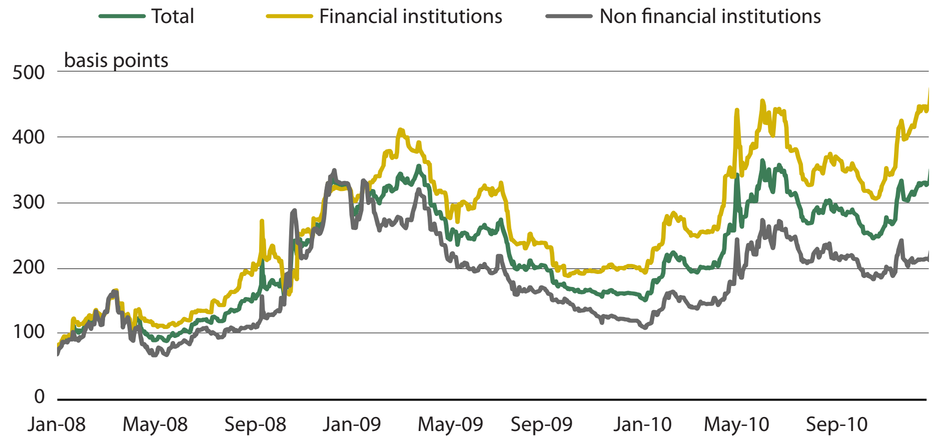
%	Dec 07	Dec 08	Dec 09	Dec 10	Mar 10	Jun 10	Sep 10	Dec 10
3 year	5.32	5.45	3.14	4.31	2.40	4.13	3.53	4.31
5 year	5.36	5.99	4.30	5.44	3.64	4.59	4.15	5.44
10 year	5.40	6.08	4.88	6.42	4.50	5.16	5.42	6.42

Source: Reuters and CNMV.

1 Average daily data. December data to 30/12.

Aggregate risk premium[1] based on the five-year CDS of Spanish issuers

FIGURE 15



Source: Thomson Datastream and CNMV. Data to 31 December.

1 Simple average.

The volume of private fixed-income issues registered with the CNMV over full-year 2010 summed 226.44 billion euros, 42% down on the year 2009 (see table 13). Financial institution issues came to around 222.86 billion euros (98.4% of the total), a 41% decrease in year-on-year terms, while outright issuance by non financial companies was 69% down vs. the previous year at just under 3.60 billion euros.

The issuance shrinkage traced mainly to commercial paper (volumes down 49% to 97.57 billion euros), non convertible bonds and debentures (down 61% to 24.36 billion euros) and, to a smaller extent, asset-backed securities (down 22.5% to 63.26 billion euros). Most securitisation issues were again retained by their originators for use as collateral in Eurosystem financing operations.

Another salient development was the near disappearance of government-backed bond issuance, which barely exceeded 13 billion euros compared to the 47.8 billion of 2009. Mortgage bond issuance was slightly down on the prior-year total (34.38 billion versus 35.57 billion), while preference share issues vanished from the map and convertible bond and debenture issues were residual only (a combined issuance of just 968 million euros against over 16 billion euros in 2009). Only territorial bonds managed something of a comeback, from 500 million in 2009 to nearly 6 billion euros in 2010.

These variations have meant certain changes in Spanish issuers' financing mix. Commercial paper retained its primacy in total fixed-income issuance, but its share receded from 48% in 2009 to 41% in 2010. Other instruments that dropped down the list were non convertible bonds and debentures (from 16% to 11%) and preference shares (from 3% to under 0.1%). Conversely, mortgage bonds, asset-backed securities and territorial bonds raised their weight from 9% to 15%, 21% to 28% and 0.1% to 3% respectively.

Since the start of the crisis, the decline in domestic fixed-income issuance has been partly offset by foreign debt financing, with a preference for longer-dated instruments. Spanish companies' long-term issuance on foreign markets (mainly bonds and debentures) was 50.78 billion euros between January and November 2010, compared to the 47.23 billion of full-year 2009. Commercial paper issued abroad exceeded 74.12 billion euros in the same period; a large sum, but considerably less than the 102.46 billion reached in 2009.

Gross fixed-income issues[1] registered with the CNMV TABLE 13

					2009		2010			
	2007	2008	2009	2010	Q3	Q4	Q1	Q2	Q3	Q4
NOMINAL AMOUNT (million euros)	**648,757**	**476,276**	**387,476**	**226,438**	**66,722**	**74,199**	**51,667**	**57,410**	**61,635**	**55,726**
Mortgage bonds	24,696	14,300	35,574	34,378	3,870	11,055	4,650	10,892	10,317	8,519
Territorial bonds	5,060	1,820	500	5,900	0	0	400	4,700	300	500
Non convertible bonds and debentures	27,416	10,490	62,249	24,356	6,138	12,370	8,733	6,811	1,287	7,525
Convertible/exchangeable bonds and debentures	0	1,429	3,200	968	2,200	700	0	0	0	968
Asset-backed securities	141,627	135,253	81,651	63,261	12,956	10,301	2,875	15,699	28,190	16,497
Domestic tranche	94,049	132,730	77,289	62,743	11,751	9,696	2,875	15,205	28,190	16,473
International tranche	47,578	2,522	4,362	518	1,206	605	0	494	0	24
Commercial paper	442,433	311,738	191,342	97,575	40,340	39,753	35,010	19,307	21,541	21,717
Securitised	465	2,843	4,758	5,057	953	1,245	995	930	1,723	1,409
Other	441,969	308,895	186,583	92,518	39,388	38,508	34,015	18,377	19,818	20,308
Other fixed-income issues	7,300	0	0	0	0	0	0	0	0	0
Preference shares	225	1,246	12,960	0	1,217	20	0	0	0	0
Pro memoria:										
Subordinate debt issues	47,158	12,950	20,989	9,154	4,679	2,254	3,284	1,984	1,839	2,048
Covered issues	86,161	9,170	4,794	299	1,450	785	299	0	0	0

Source: CNMV.

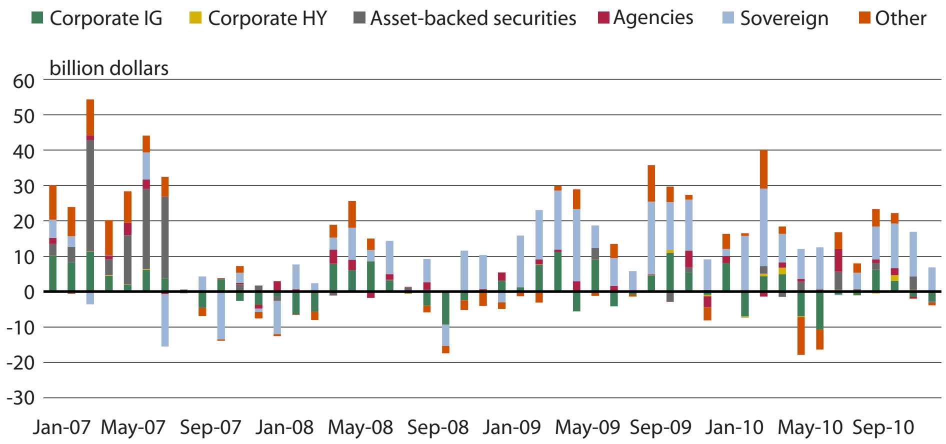
1 Including those admitted to trading without an issue prospectus.

Figure 16 tracks the net debt issuance of Spanish companies since 2007 with a breakdown by instrument. As we can see, sovereign debt conserves the lion's share of issuance, while net funding via investment grade instruments managed to claw back some ground in the third quarter but promptly lost it again in the year's closing months due partly to the renewed turmoil on financial markets.

Net long-term debt issuance in Spain[1]

FIGURE 16

By financial instrument



Source: Dealogic and CNMV. Data to 31 December 2010.

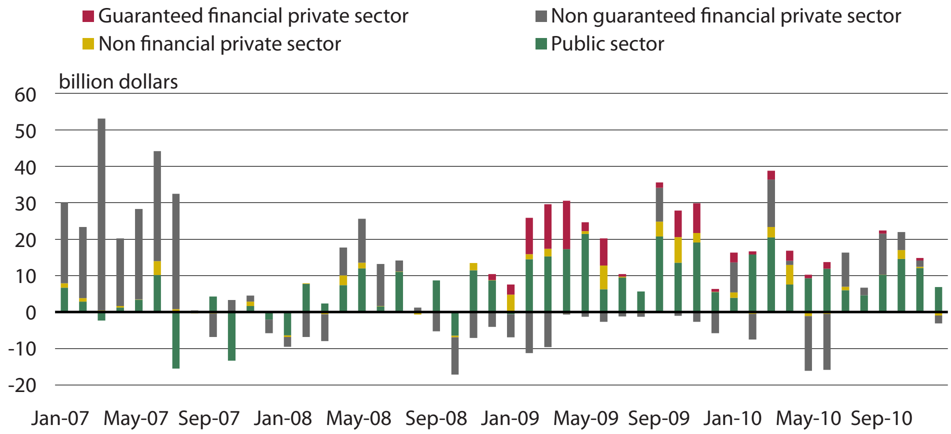
1 The "Others" category includes mortgage bonds, preference shares and other long-term debt securities.

From figure 17, showing the same information by type of issuer, we can see that the public sector retained its prominence over the second half of 2010. Debt financing by financial institutions also picked up a little in the year's middle months after the hiatus of the opening quarter (when net issuance actually turned negative). Fourth quarter figures, however, suggest that issue volumes are thinning once more. Finally, net non financial private-sector issuance continued at lows.

Net long-term debt issuance in Spain

FIGURE 17

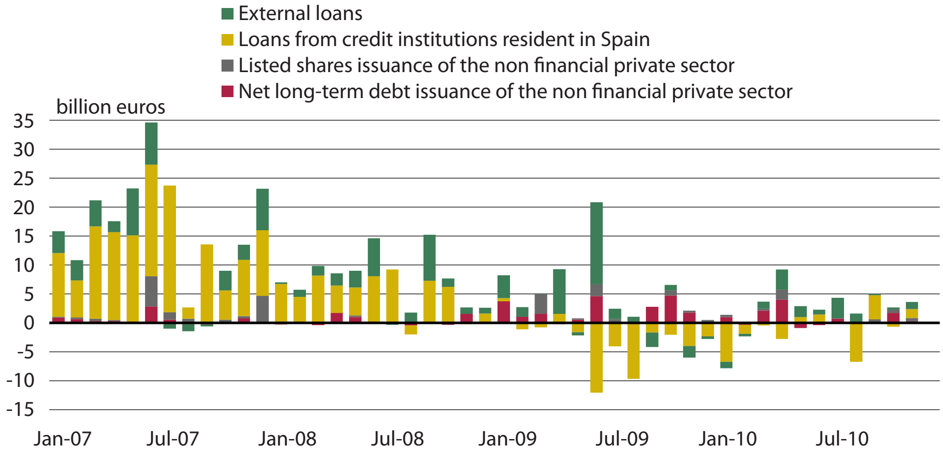
By borrower sector, in million dollars



Source: Dealogic and CNMV. Data to 31 December 2010.

FIGURE 18

Change in the outstanding balance of bank loans received and the net long-term debt issuance of the Spanish non financial private sector[1]



Source: Banco de España and Dealogic.

1 Figures for bank sector lending to non financial companies resident in Spain correspond to Banco de España monthly data to November 2010. Bank lending to non financial companies does not include off-balance-sheet securitised loans. Monthly figures for the net long-term debt issuance of Spanish non financial private sector borrowers are based on Dealogic data to November 2010.

Finally, Spanish financial institutions made less use of Eurosystem financing in the second half of 2010. Net borrowings from this source scaled down from a July high of over 130 billion euros to 61 billion in the month of November. In parallel, they reduced their use of the deposit facility from 18 to 3 billion euros in the same period.

3.2 Equity markets in Spain

3.2.1 Prices

The Ibex 35 shed 6.2% of its value in the year's closing quarter[2] after a third-quarter gain of 13.5%, with momentary losses as deep as 12%. December, however, brought a mild rally as sovereign debt markets settled down following approval of a rescue package for the Irish economy, and after a new round of fiscal consolidation measures in Spain. Finally, the Ibex 35 underperformed other reference markets with a year-long fall of 17.4%.

Smaller cap indices also closed the year in losses, but were spared a worse result thanks to the price rally of the third quarter. Small and medium cap indices dropped back 4.3% and 0.5% respectively in the fourth quarter of 2010, on the heels of the previous quarter's 3.6% and 13.7% gains. The small cap index fared worse overall, with a year-long slide of 18.3% compared to medium cap losses of just under 6%. In contrast, the FTSE Latibex indices again bucked the national trend with full-year advances upwards of 9% (see table 14).

The implied volatility of the Ibex 35 spiked in November to nearly 40% before easing back in the year's final stretch. Specifically, volatility readings in December hovered

2 Data to 30 December.

around the 20% mark, a long way short of the near-70% of the second quarter, coinciding with the Greek debt crisis (see figure 19).

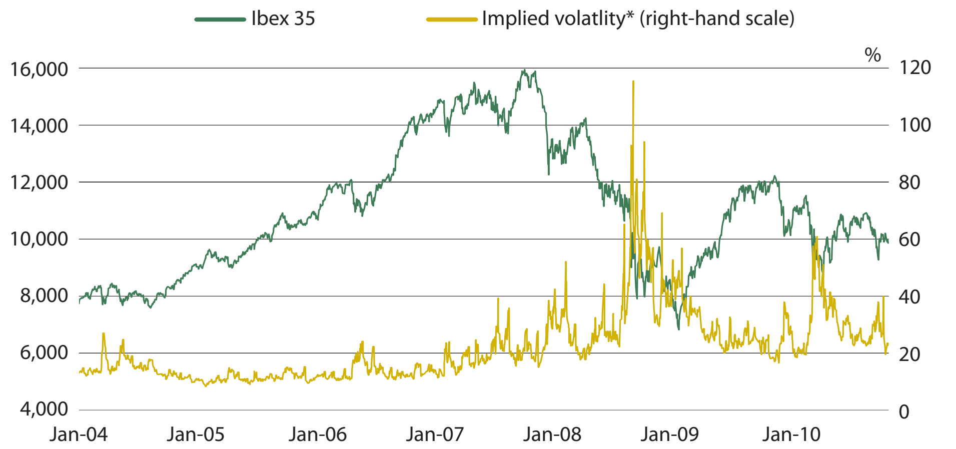
Performance of Spanish stock indices TABLE 14

%	2006	2007	2008	2009	2010	Q1 10[1]	Q2 10[1]	Q3 10[1]	Q4 10[1]
Ibex 35	31.8	7.3	-39.4	29.8	-17.4	-9.0	-14.8	13.5	-6.2
Madrid	34.5	5.6	-40.6	27.2	-19.2	-9.6	-14.5	12.9	-7.5
Ibex Medium Cap	42.1	-10.4	-46.5	13.8	-5.6	-0.8	-15.9	13.7	-0.5
Ibex Small Cap	54.4	-5.4	-57.3	17.6	-18.3	-0.9	-16.9	3.6	-4.3
FTSE Latibex All-Share	23.8	57.8	-51.8	97.2	9.0	6.9	-7.3	1.5	8.3
FTSE Latibex Top	18.2	33.7	-44.7	79.3	9.7	7.2	-2.5	-2.2	7.3

Source: Thomson Datastream.

1 Change vs. previous quarter.

Performance of Ibex 35 and implied volatility FIGURE 19



Source: Thomson Datastream and MEFF.

* Implied at-the-money (ATM) volatility on nearest expiry. Data to 30 December.

All sectors making up the Madrid General Index felt the impact of market turbulence in the year's closing months after rallying strongly in the third quarter (see table 15). The main losers were real estate (-29.8%), the banks (-16.8%) and, in smaller measure, technology and telecommunications (-5.8%) and consumer goods (-2.2%), while all remaining sectors saw their gains cut short to some or other extent. Hence, the energy sector decelerated to 4.8% in quarter-on-quarter terms, consumer services to 2.6% and basic materials, industry and construction to 0.3%. Finally, all IGBM sectors closed the year in losses with the exception of consumer goods and services, which posted a year-long advance of 17% led by a major corporation in the clothing industry. Elsewhere, the financial and real estate services sector shed around 32% (-53.3% on the real estate and -33.1% on the banking[3] side), followed by basic materials, industry and construction with -15.2% and technology and telecommunications with -12.8%.

As we can see from table 15, the biggest drag on IGBM performance was exerted by the top two banking groups, which accounted for around two thirds of the index fall.

3 The sector's aggregate fall (32%) is less than that of the two stated sub-sectors because other sub-sectors of comparatively little weight (insurance, portfolio and holding companies and investment services) performed better in the reference period.

The other main downside contributor was a telecommunications company, single-handedly responsible for 15% of the year-long decline.

Performance of the Madrid Stock Exchange by sector and leading shares[1] TABLE 15

annual % unless otherwise indicated

	weighting[2]	2009	2010	Q1 10[3]	Q2 10[3]	Q3 10[3]	Q4 10[3]
Financial and real estate services	**44.22**	**47.3**	**-31.7**	**-14.2**	**-15.5**	**12.0**	**-15.9**
Real estate and others	0.27	-31.8	-53.3	-2.3	-22.8	-11.9	-29.8
Banks	41.13	50.0	-33.1	-15.0	-15.6	12.3	-16.8
BBVA	11.32	49.4	-38.2	-20.4	-17.6	18.6	-20.5
Santander	25.22	73.0	-30.5	-14.8	-14.2	10.3	-13.8
Oil and energy	**14.89**	**-2.7**	**-8.6**	**-5.5**	**-19.1**	**14.0**	**4.8**
Iberdrola	5.97	2.0	-7.7	-5.9	-22.8	21.0	5.0
Repsol YPF	4.28	24.0	11.3	-6.4	-5.1	13.5	10.3
Basic materials, industry and construction	**7.60**	**22.5**	**-15.2**	**-4.4**	**-20.2**	**10.8**	**0.3**
Construction	4.09	17.7	-14.9	-6.7	-20.2	15.8	-1.3
Technology and telecommunications	**23.61**	**22.8**	**-12.8**	**-9.9**	**-13.9**	**19.2**	**-5.8**
Telefónica	21.97	23.2	-13.1	-10.1	-13.9	20.2	-6.6
Consumer goods	**6.43**	**26.3**	**17.0**	**7.3**	**-5.9**	**18.5**	**-2.2**
Inditex	4.12	38.5	29.1	12.5	-3.3	23.5	-3.8
Consumer services	**3.27**	**32.3**	**-0.1**	**0.6**	**-17.1**	**16.8**	**2.6**

Source: Thomson Datastream and Bolsa de Madrid.

1 Shares capitalising at more than 3% of the IGBM.

2 Relative weight (%) in the IGBM as of July 2010.

3 Change vs. the previous quarter.

Shares with greatest impact on IGBM change[1] TABLE 16

		Dec-2010[2]	
Share	**Sector**	**% Q**	**%/Dec 09**
Negative impact			
Banco Santander	Financial and real estate services	-3.48	-7.69
BBVA	Financial and real estate services	-2.33	-4.32
Telefónica	Technology and telecommunications	-1.45	-2.88
Banco Popular	Financial and real estate services	-0.31	-0.43
Banco Sabadell	Financial and real estate services	-0.25	-0.28
Inditex	Consumer goods	-0.16	1.20
Positive impact			
Repsol YPF	Oil and energy	0.44	0.49
Iberdrola	Consumer services	0.30	-0.46

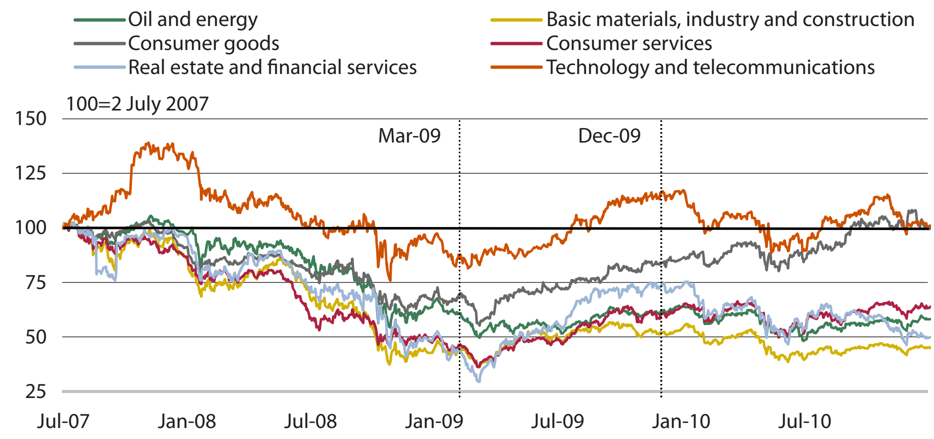
Source: Thomson Datastream and Bolsa de Madrid.

1 The shares listed are those having most impact (equal to or more than 0.15 points in absolute terms) on the quarterly change in the IGBM.

2 Data to 30 December.

At the closing date for this report, only two IGBM sectors, technology and telecommunications and consumer goods, were trading above the levels posted before the subprime crisis broke in summer 2007 (see figure 20). Indeed the stand-out developments in the recent past have been the stunning recovery of the consumer goods sector from its lows of March 2009, which led it to overtake even technology and telecommunications, and the price slide experienced by financial and real estate services since the start of 2010, which has only intensified with the financial market unrest prevailing since early November. That said, the largest falls since the crisis onset correspond to basic materials, industry and construction (-55%), followed by financial and real estate services (-51%), oil and energy (-42%) and consumer services (-37%), while the aforementioned consumer goods and technology sectors are currently trading at round about their July 2007 prices.

Performance of IGBM sector indices[1] FIGURE 20



Source: Bolsa de Madrid.
1 Data to 30 December.

After two-thirds of IGBM companies posted third-quarter gains, most were back into losses by the end of the year. The percentage of firms registering share price falls was up from 34% in the third quarter to 60% in the fourth, while a far smaller portion managed gains exceeding 10% (14% vs. 39% in the third quarter, see table 17).

Performance range of IGBM companies TABLE 17

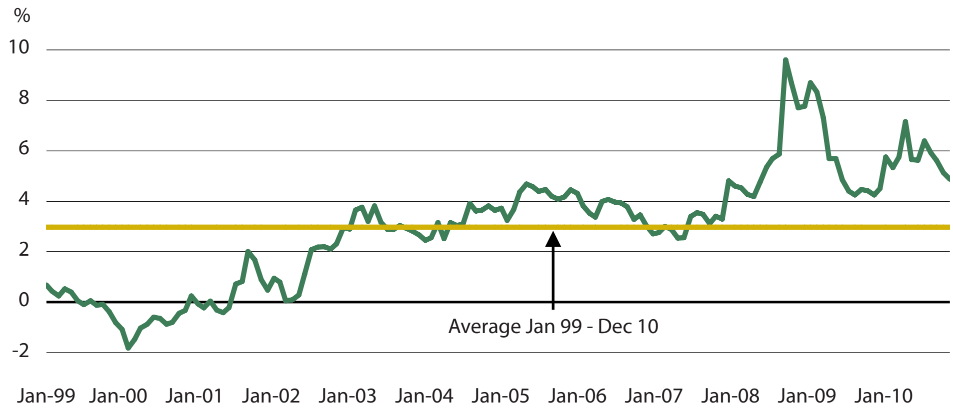
% total IGBM companies	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10
≥ 25%	0.0	2.5	1.7	6.7	1.7
10% to 25%	5.7	15.1	1.7	32.8	12.6
0% to 10%	14.8	27.7	6.7	26.1	25.2
≤ 0%	79.5	54.6	89.9	34.5	60.5
Pro memoria: total no. of companies					
	122	119	119	119	119

Source: Thomson Datastream.

The price/earnings ratio (P/E) of the Ibex 35 remained within the downward trend initiated in the final quarter of 2009, pausing only for a brief ascent in the third quarter, and finally closed the year at 9.7%. As table 18 shows, the 21% decline in the Spanish market multiple was a little above that registered by other European indices over the course of the year (the Euro Stoxx 50 P/E dropped 18%) though less severe than the -32% of Japan's Topix index. The result is that the P/E of the Spanish market still figures at the lower end of the developed economy range.

The earnings yield gap (indicating the risk premium on equity investment versus long-term government bonds) narrowed significantly from August to close the year at 4.9%, as long government yields headed steadily higher, especially in the last two months. This was the opposite case to the run-up experienced in the first part of the year (to 7.2% at end-May from just over 4% at the 2009 close), when more gently rising government yields were offset by a sharp drop in market P/E. In all, these indicator's December levels[4] (see figure 21) are still well above the historical average since January 1999 (3%).

Earnings yield gap[1] of the Ibex 35 FIGURE 21



Source: Thomson Datastream and CNMV.

1 Difference between stock market yield, taken as earnings/price, and ten-year bond yields. Monthly data to 30 December 2010.

3.2.2 Trading and liquidity

Turnover on the Spanish stock market rose 17% year on year to 31 December, after a prolonged contraction phase (-29% and -25% in 2008 and 2009, see table 18). Average daily trading in the fourth quarter came to 4.60 billion euros, a strong improvement on the 3.88 billion average of the three preceding quarters and the 4.11 billion[5] of the last quarter of 2009.

Turnover on the Spanish stock market TABLE 18

million euros	2007	2008	2009	2010	Q1 10	Q2 10	Q3 10	Q4 10
All exchanges	**1,667,219**	**1,243,387**	**886,135**	**1,037,282**	**229,120**	**298,811**	**215,183**	**294,168**
Electronic market	1,658,019	1,235,330	880,544	1,032,447	227,866	297,495	214,267	292,819
Open outcry	1,154	207	73	165	17	13	54	82
of which SICAV[1]	362	25	20	8	3	4	1	0
MAB[2]	6,985	7,060	5,080	4.145	1,089	1,141	768	1,147
Second market	193	32	3	3	0	1	1	1
Latibex	868	758	435	521	147	162	93	119
Pro memoria: non resident trading (% all exchanges)								
	61.6	65.5	64.2	n.a.	n.a	n.a	n.a	n.a

Source: CNMV and Directorate-General of Trade and Investments.

1 Open-ended investment companies.

2 Alternative investment market. Data since the start of trading on 29 May 2006.

n.a.: data not available at the closing date for this report.

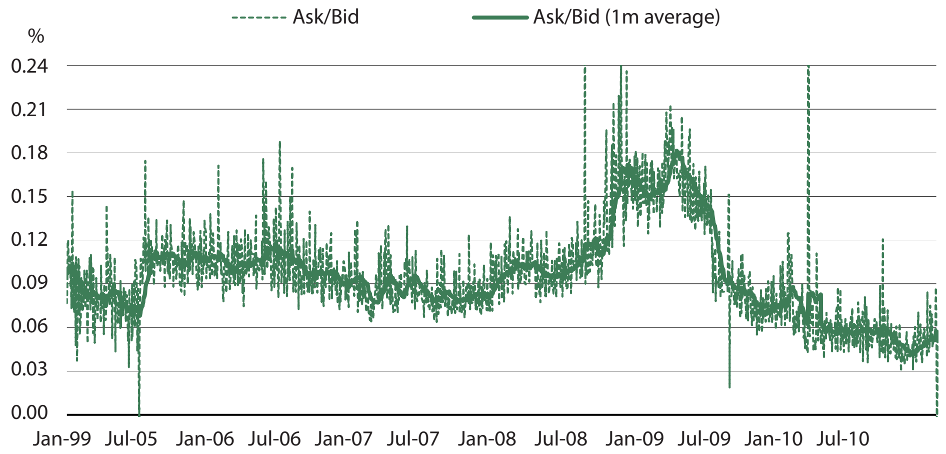
Finally, the liquidity of the Spanish equity market improved a little in the second half albeit with some tailing off since the start of November. The bid/ask spread

4 To 31 December.

5 Average turnover in 2007, 2008 and 2009 came to 6.59, 4.89 and 3.49 billion euros respectively.

of the Ibex 35, which had dropped from a June average of under 0.06% to 0.04%, subsequently edged back to a year-end level of just over 0.05% (see figure 22). Even so, these last readings remain sizeably below the historical average of the past few years.

Liquidity indicator (bid/ask spread, %) of the Ibex-35[1] FIGURE 22



Source: Thomson Datastream and CNMV.

1 Data to 30 December.

II Reports and Analyses

Economic and financial performance of listed companies in the first half of 2010

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(*) Marta Ortega and José María Fernández are members of the CNMV Financial and Corporate Reports Department.

1 Introduction

The aim of this article is to analyse the key highlights of the financial information contained in the reports of the first half of 2010[1] submitted to the CNMV by issuers.

The aggregate information analysed relates to the results, financial position, cash flows, number of employees and dividends paid. 182 companies have been analysed, which belong to the following sectors: energy (11 companies), retail and services (46 companies), construction and real estate (33 companies), manufacturing (51 companies), banks (10 entities), savings banks (29 entities), and insurance (two companies).

The analysis has been carried out on the following basis:

- The data for analysis are obtained from the consolidated or individual periodic financial reports[2] submitted to the CNMV by the issuers of shares or debt[3] that are listed on a regulated Spanish market, where Spain is the home Member State.

- The aggregate figures exclude issuers that are subsidiaries of another listed group. However, when such issuers carried on their activity in a sector other than that of the parent company, their financial data are included in the figures for their sector.

- Data relating to periods other than the first half of 2010 have been calculated for the representative sample of the companies that were listed in the reference period.

In Section 2 of this article we analyse the development of turnover since 2005, in Sections 3 and 4 we analyse the performance of earnings and the return on equity and investment respectively, in Section 5, we look at the debt of non-financial entities, and in Sections 6, 7 and 8 we consider the development of cash flows, workforce and dividends paid. Our main conclusions are presented in Section 9.

1 Pursuant to the provisions of Section 35 of the Securities Market Act 24/1988 of 28 July, when Spain is the home Member State, issuers whose shares or debt securities are admitted to trading on an official secondary market or on another regulated market in the European Union must publish and disseminate a half-yearly financial report for the first six months of the year and a second half-yearly financial report covering the full financial year.

2 Submitted in the form stipulated in Circular 1/2008.

3 Except for entities that have issued preferred shares and other special purpose entities constituted for the issuance of fixed income securities and the Spanish Official Credit Institute (ICO: Spanish acronym).

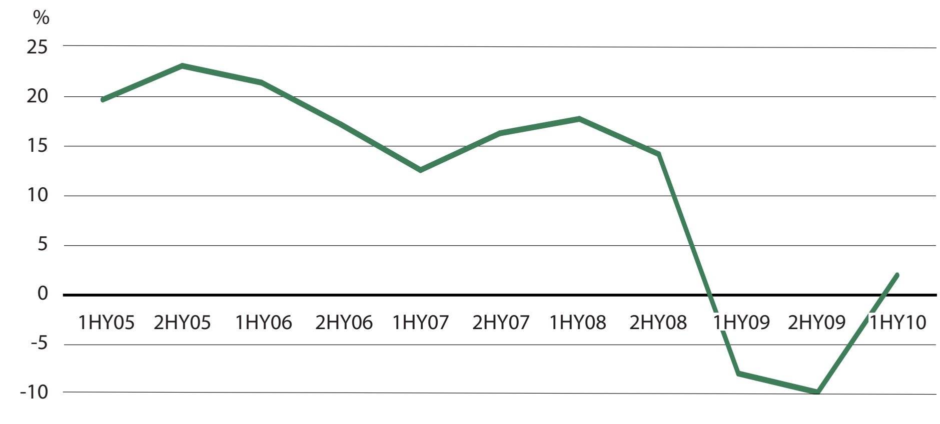
2 Net turnover

Figure 1 shows the year-on-year rates of change in net turnover[4] for the period between the first half of 2005 and the first half of 2010.

The year-on-year rate of change in the first half of 2010 is positive (2%), unlike in 2009, thus returning to the growth trend of previous years.

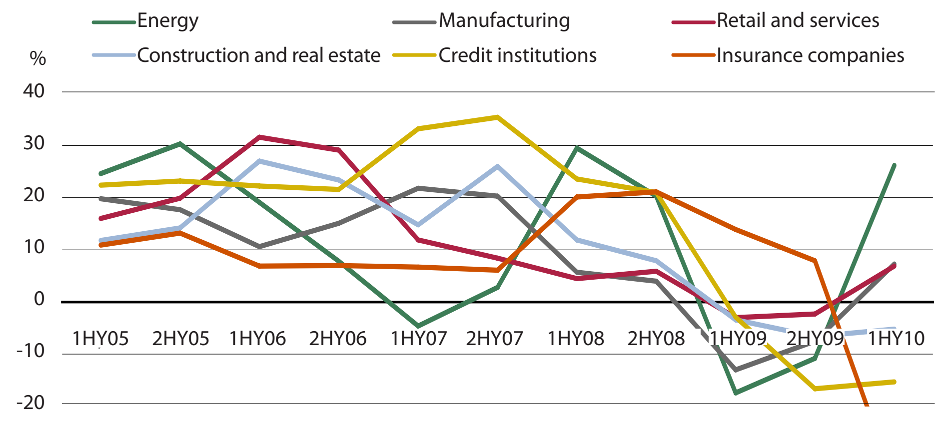
Insurance companies and all the non-financial sectors, except the construction and real estate sector (-5.2%), recorded positive change rates (see Figure 2). However, interest and similar revenue for credit institutions underwent a fall of 21.4%. The impact is greater for savings banks (-34.6%) than banks (-15.3%).

Rate of change in net turnover FIGURE 1



Source: CNMV.

Rate of change in net turnover by industry FIGURE 2



Source: CNMV.

4 For credit institutions, net turnover has been taken to comprise interest income and similar income, and for insurance companies: premium income for the year from life and non-life insurance, net of reinsurance.

By sector, the highlights are:

- **Energy.** Net turnover increased by 26.2% compared with the same period of the previous year. This was mainly due to: (i) the increase in the average price of crude oil - there was a 50% rise in the average price of a barrel of Brent oil compared with a 52.5% fall in the first half of 2009 -, (ii) recording the sales to suppliers of last resort as revenue from 1 July 2009 - previously the costs were offset by the revenue[5] -, and (iii) the accounting effects of business combinations in the sector.[6]

- **Manufacturing.** The first half of 2010 saw a positive year-on-year growth rate of 7.3%, which includes the net effect of the uneven performance of the different activities of companies in this sector. Aggregate turnover rose as a result of the international expansion strategy of some companies, while the possible regulatory change relating to renewable energy had a major impact on the negative performance of sales of one of the companies in the sample.

- **Retail and services.** Net turnover in this sector rose by 6.9%, with uneven performance of the different companies making up the sample. The year-on-year change rate was mainly affected by one company which accounts for 55% of the total revenue for the sector. Its performance was positively affected by the trend in exchange rates and by the increase in activity in Latin America.

- **Construction and real estate.** The sharp impact of the economic crisis on the construction and real estate sector in Spain has not yet allowed it to recover. It is the only line in the non-financial sector which saw falling turnover (-5.2%) in the first half of 2010. This fall is a result of the 13.9% drop in real estate companies, showing that the negative trend of recent periods has begun to slow down, and the 4.6% fall in the construction sector.

- **Credit institutions.** In the first half of 2010, aggregate revenue from interest and similar revenue recorded by credit institutions as a whole fell by 21.4% compared with the same period of the previous year. The fall in the banking business and the worsening returns on assets obtained by credit institutions were the result of the economic crisis and the fall in interest rates, which in this period reached historic lows.[7]

- **Insurance companies.** The amount of premiums allocated to the year, net of reinsurance, grew by 6.5% despite the difficult economic environment and the fall in the credit insurance business. This was due to the sustained development of international business and reinsurance, supplemented by an increase in the volume of business in Spain thanks to a rally in life assurance and the recovery in sales of car insurance in one of the companies in the sample.

5 The publication of Royal Decree 485/2009 has led to the change in the recording of sales to final consumers, affecting all companies in the sector, although to a different extent.

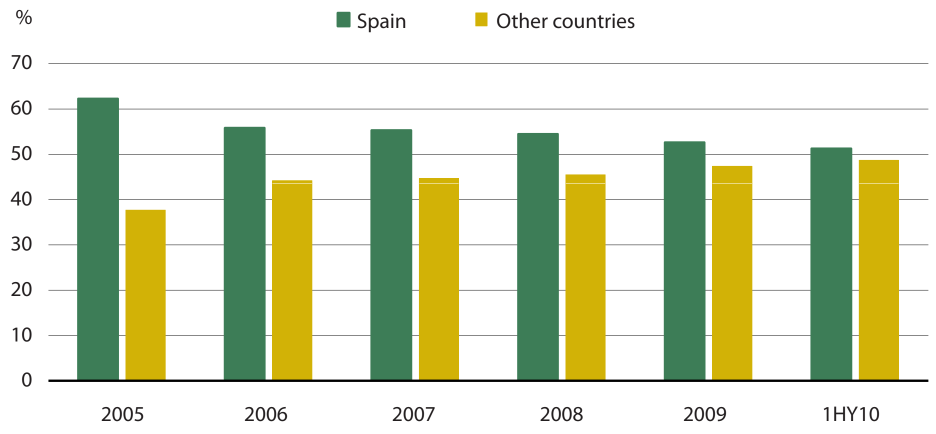
6 The data corresponding to the first half of 2009 of one of the companies in the sample, and which appear as comparative figures, include two months of the results of the acquired company.

7 The one-year Euribor fell to 1.24% in June 2010, compared with 2.62% in January 2009 and 5.38% in September 2008.

Figure 3 shows the geographical turnover distribution of non-financial companies from 2005 up to the first half of 2010.

The percentage of turnover from business abroad rose by 1.3 percentage points in the first half of 2010 compared with the end of 2009, up to 48.7%. As can be seen, the relative weight of sales generated abroad was practically the same as the turnover generated in Spain. This was largely due to corporate operations carried out by listed Spanish companies in the period 2004-2006, and to the development of new companies or businesses in foreign markets.

Geographical distribution of net turnover FIGURE 3



Source: CNMV.

Table 1 shows the geographical distribution of the net turnover of non-financial companies by sector. As can be seen in this table, business abroad continued gaining relative importance over the first half of 2010 in all businesses. Most significant changes took place in the manufacturing and construction sectors, which seem to have opted for greater internationalisation as a reaction to the fall in domestic revenue.

Net turnover of listed non-financial companies: percentage net turnover from foreign operations TABLE 1

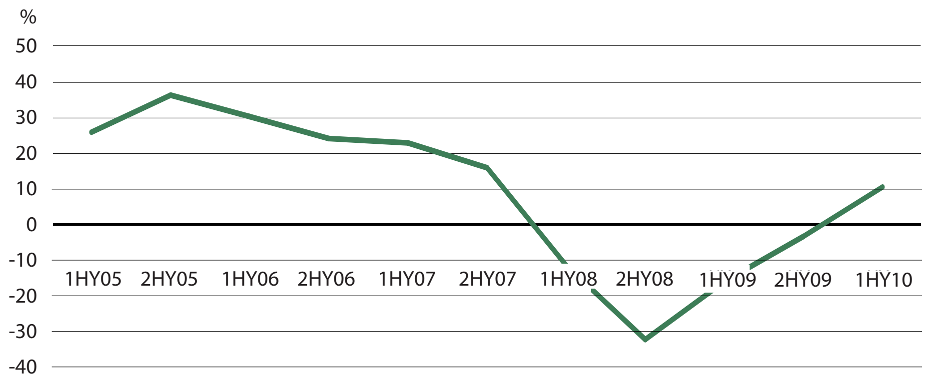
	2005	2006	2007	2008	2009	1HY10
Energy	32.7	37.8	41.8	42.5	43.3	44.4
Manufacturing	56.2	59.8	55.2	59.3	62.6	65.2
Retail and services	44.1	54.8	52.3	50.1	51.1	51.9
Construction and real estate	23.1	28.9	33.2	36.2	38.4	41.0
Subtotal, non-financial companies	37.7	44.2	44.7	45.5	47.4	48.7

Source: CNMV.

3 Profit/Loss

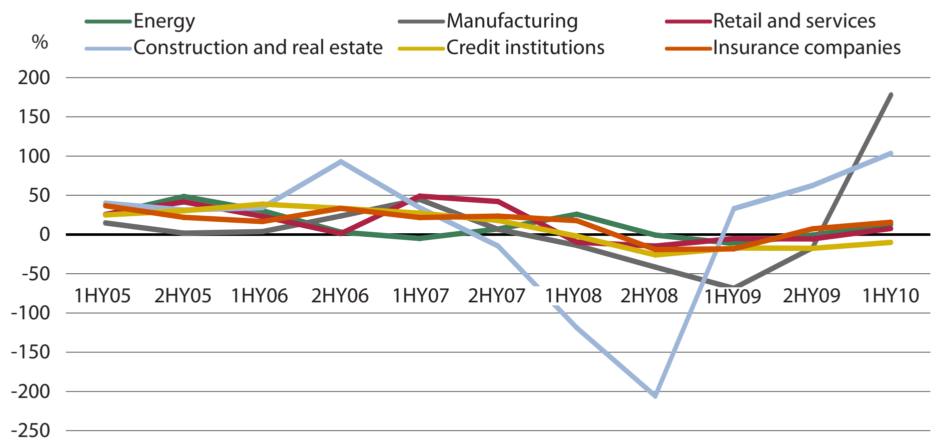
Figure 4 shows the year-on-year rates of change in the aggregate profit/loss before tax of listed companies for continuing operations[8] from the first half of 2005. This figure shows that the series returned to positive values in the first half of 2010 following four half-year periods in which the change in profit before tax showed negative growth.

Year-on-year rate of change of profit before tax FIGURE 4



Source: CNMV.

Year-on-year rates of change of profit before tax by industry FIGURE 5



Source: CNMV.

Figure 5 shows the trend for profit before tax for different sectors. This figure shows that the first half of 2010 saw a significant change in the trend of the manufacturing sector, which recorded a positive change rate in its results following four half-year periods at negative rates. Following the effort by companies to reduce inventory levels and to adjust the production volume to the new market characteristics, sales margins began to show an improvement in the first half of 2010.

8 Profit or loss before tax, excluding the results of discontinued activities, which are generally significant business lines or geographical areas which the company has either disposed of, or plans to dispose of, within the next 12 months.

Construction and real estate companies continue to show the favourable development which began in 2009, reaching a positive profit before tax in the first half of 2010. However, this improvement must not be interpreted as a reactivation of the real estate market - in fact, the net turnover of this subsector underwent a 14.3% fall compared with the first half of 2009 - but rather as a result of the significant cost adjustments, asset impairments and losses from disposals recorded in 2008 and 2009, which occurred to a lesser extent in the first half of 2010.

Table 2 shows the main margins of the income statements corresponding to the end of the first half of 2010 and to the same period of the previous year.

EBITDA,[1] operating profit/loss and profit/loss for the year TABLE 2

million euros	EBITDA			Operating profit/loss			Profit/loss for the year		
	1HY09	1HY10	Change (%)	1HY09	1HY10	Change (%)	1HY09	1HY10	Change (%)
Energy	14,745	16,827	14.1	9,954	11,224	12.8	6,663	7,083	6.3
Manufacturing	2,169	3,322	53.2	1,080	2,164	100.4	452	1,371	203.3
Retail and services	14,727	15,177	3.1	8,788	9,127	3.9	5,539	6,193	11.8
Construction and real estate	1,986	3,580	80.3	552	1,960	255.1	1,454	7	-99.5
Credit institutions	–	–	–	15,339	13,837	-9.8	12,104	10,852	-10.3
Insurance companies	–	–	–	–	–	–	579	682	17.8
Total[2]	**33,467[3]**	**38,799[3]**	**15.9[3]**	**35,641[4]**	**38,281[4]**	**7.4[4]**	**25,891**	**24,962**	**-3.6**

Source: CNMV.

1 EBITDA = Operating profit/loss + depreciation/amortisation of fixed assets.

2 For groups, the total only includes the consolidated data provided by the parent company, excluding any other listed company in the group. The total differs from the sum of the values shown for each sector as a result of the adjustments made.

3 Excluding credit institutions and insurance companies.

4 Excluding insurance companies.

In this period, the figures analysed - EBITDA and operating profit/loss - performed favourably in all sectors, except credit institutions. However, despite the double digit increases obtained in the above figures, the change in the net profit for the year is negative (-3.6%). This is due to the fall in the results of credit institutions and to the non-recurring profits of 3.03 billion euros in the first half of 2009, which were the result of disposals of holdings by several construction companies, recorded as discontinued operations.[9]

A total of 44 companies (24.9% of the total) obtained net losses in the first half of 2010 for an aggregate amount of 1,442 million euros. In the same period of the previous year, 57 companies (30.3% of the total) recorded losses for a total of 3,248 million euros.

By sector, the highlights are:

- **Energy.** The sector recorded improved results due to the rise in raw material prices, the recovery in energy demand and the statistical effect resulting from the consolidation of two companies in the sample.

9 Taxes and discontinued operations (net of taxes) are included between "profit/loss before tax" and "profit/loss for the year" in the income statement.

- **Manufacturing.** The first half of 2010 saw a significant improvement in the margins of companies as a result of the finalising of the restructuring processes carried out in previous years, which have allowed them to adapt their fixed cost structure to the new demand conditions. Accordingly, aggregate EBITDA, operating profits and the profit for the year in the sector increased by 53.2%, 100.4% and 203.3% respectively in the first half of 2010, while turnover only increased by 7.3%. In this sector, it is important to point out the positive performance of paper companies, which thanks to the rise in the price of cellulose and the rise in demand, improved their results significantly compared with the same period of the previous year.

- **Retail and services.** This period saw a generalised improvement in the margins of companies in this sector, except for motorway concession holders, whose results worsened as a result of the fall in traffic. Aggregate margins, as mentioned above, were significantly influenced by the performance of one company which accounts for 62.1% of the sector's total results. Its profit increased by 9.4%, mainly as a result of changes in exchange rates and changes in the inflation rate in Venezuela.

- **Construction and real estate.** This sector as a whole improved its intermediate margins - EBITDA and operating profit/loss - by 80.3% and 255.1% respectively. However, the profit for the year fell by 99.5% - seven million euros compared with profits of 1,454 million euros in the previous year - as significant asset disposals were carried out in 2009, which generated profit for discontinued operations of 3,033 million euros.

  Construction companies obtained positive EBITDA and operating results, with growth rates of 27.8% and 40.5% respectively. This reversed the trend of 2009, when these companies suffered significant reductions in these margins and obtained losses before tax of 277 million euros, compared with a profit of 604 million euros as at 30 June 2010.

  Margins in the real estate sector continued to be negative, although major adjustments in the subsector in previous years meant that EBITDA,[10] the operating profit/loss and the profit/loss for the year improved significantly compared with the same period in the previous year.

- **Credit institutions.** The fall in business volume and increased competition for acquiring liabilities did not have a significant impact on the interest margin until the first half of 2010. The interest margin increased by 33% and 10% in 2009 (in banks and savings banks respectively) compared with an increase of 6.3% for banks as at 30 June 2010. However, savings banks have suffered the effects mentioned above to a great extent, which, together with the increase in risk premiums paid, reduced their interest margin by 23.6% compared with the first half of 2009.

  A significant increase in allocations to provisions for impairment in previous years, as a result of the level of defaults which affected the banking sector, mod-

10 EBITDA, operating profit/loss and profit/loss for the year of the real estate subsector in the first half of 2010 totalled -203 million euros, -244 million euros and -566 million euros respectively, compared with -974 million euros, -1,017 million euros and -1,452 million euros in the first half of 2009.

erated in the first half of 2010 with a 10% increase in the case of banks and a fall of 7.6% in the case of savings banks, absorbing 26% and 34% of the gross margin respectively.

Although in previous years credit institutions as a whole partially offset the effects on their results of the reduced increase in activity and the increase in defaults through cost containment policies, in the first half of 2010, operating costs rose 7% and 2% in banks and savings banks respectively. In the case of banks, the increase was greater than the growth in gross margin, while in savings bank this margin fell by 12%. This has led to worsening efficiency ratios,[11] which at the end of the first half of 2010 stood at 37.2% and 44.2% respectively, compared with 36.7% and 38.2% in the same period of the previous year.

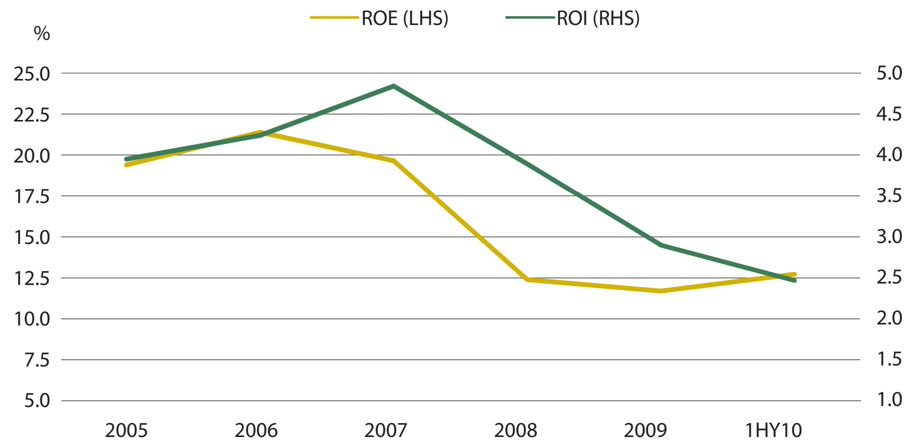
- **Insurance companies.** Profits for the year increased by 17.8%, mainly due to the positive performance of the results in the credit insurance business. This was the result of the portfolio selection policies, which reduced the level of claims, repricing, inclusion of deductibles and cost management.

4 Return on equity (ROE) and return on investment (ROI)

Figure 6 shows the trend for ROE and ROI[12] since 2005. There was a slight increase in ROE in the first half of 2010 compared with the end of 2009 as a result of improved performance over the annual forecast of the results for the period compared with the end of the previous year.

Average net investment for listed companies as a whole in the first half of 2010 was greater than that recorded in 2009, which explains the fall in ROI over this period.

ROE and ROI FIGURE 6



Source: CNMV.

11 This is an indicator of an institution's level of efficiency and is determined as the percentage of the gross margin absorbed by general expenses (personnel expenses and other general administration expenses).

12 For the definition of ROE and ROI used in this article, see "Economic and financial performance of listed companies in the first half of 2009," by Belén de Anta Montero and Óscar Casado Galán, published in the CNMV fourth-quarter bulletin (pp. 41-54). Available at http://www.cnmv.es/DocPortal/Publicaciones/Boletin/BulletinQIV_weben.pdf

Tables 3 and 4 show the trend of ROE and ROI for the different sectors. Companies in the construction and real estate sector recorded a significant fall in ROE and ROI over the period due to the aforementioned effect of the asset disposals carried out in 2009.

The other non-financial sectors recorded an improvement in ROE and ROI compared with the previous year, although lower than the returns obtained between 2005 and 2007.

With regard to credit institutions and insurance companies, the inclusion of credit institutions which issue fixed income securities, mainly savings banks, which were not required to submit periodic information in 2007 and previous years, accentuated the fall in ROE in 2008. In this period, the improvement in ROE compared with the end of 2009 is due to the improved performance in the annual forecast of the results compared with the end of the previous year, while the reduction in ROI is caused by lower net average investments in the first half of 2010.

ROE TABLE 3

%	2005	2006	2007	2008	2009	1HY10
Energy	20.6	18.6	15.9	19.5	13.2	14.9
Manufacturing	16.0	20.6	17.7	10.6	6.3	11.9
Retail and services	25.4	27.6	32.4	20.1	19.3	20.5
Construction and real estate	19.4	29.8	18.3	-17.6	3.7	0.1
Credit institutions and insurance companies	17.2	19.1	19.1	13.0	10.4	11.3
Total	**19.4**	**21.4**	**19.7**	**12.4**	**11.7**	**12.7**

Source: CNMV.

ROI TABLE 4

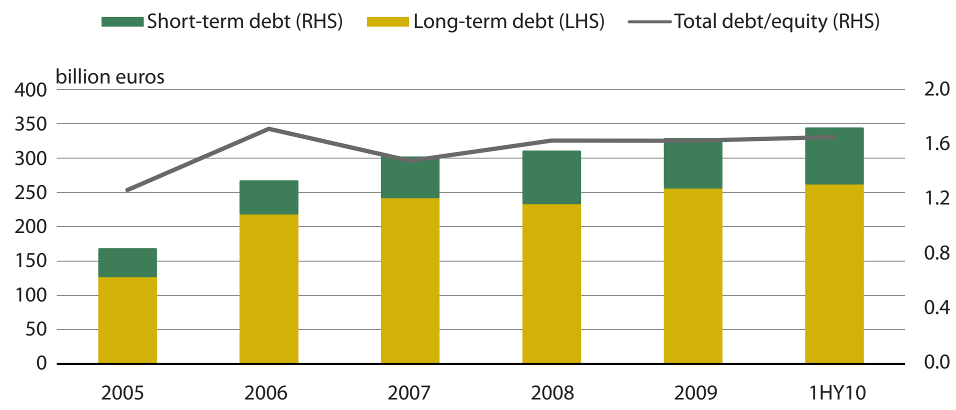
%	2005	2006	2007	2008	2009	1HY10
Energy	10.2	9.6	9.1	10.5	7.2	8.4
Manufacturing	9.0	11.6	11.5	7.7	4.9	7.7
Retail and services	10.5	10.8	12.1	8.3	7.7	8.4
Construction and real estate	8.3	10.1	7.8	0.4	3.2	1.5
Credit institutions and insurance companies	2.8	3.0	3.8	3.8	2.5	1.9
Total	**4.0**	**4.2**	**4.8**	**3.9**	**2.9**	**2.5**

Source: CNMV.

5 Debt

Figure 7 shows the trend of gross debt[13] (in billion euros) for companies in the sample excluding credit institutions and insurance companies.

Debt structure and leverage ratio of non-financial listed companies FIGURE 7



Source: CNMV.

At the end of the first half of 2010, gross financial debt totalled 343,436 million euros, 4.7% up on the volume recorded at the end of 2009. This increase (15,478 million euros) is to a large extent the result of two companies in the sample belonging to the construction and real estate sector and the retail and services sector, which were significantly affected by the negative impact of the depreciation of the euro against other currencies - pound sterling, American dollar and Canadian dollar - in which part of their debt was denominated.

Short-term debt increased by 9,310 million euros (+13.1%), even after taking into account that certain companies, mainly construction and real estate companies, entered into debt refinancing agreements over the half year. These refinancing agreements follow the trend set in previous years, leading to the sale of certain assets, extension of liability maturity periods and an increase in required spreads compared with benchmark interest rates.

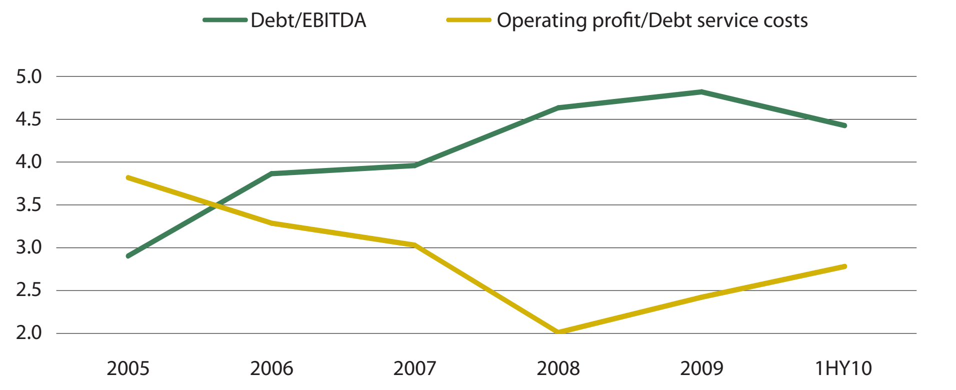
The aggregate leverage ratio, which compares debt to equity, was 1.65 in 2010, compared with 1.63 at the end of 2009.

Figure 8 shows the trend in debt-to-EBITDA and the debt service coverage ratios. In the first half of 2010, the ratio of total debt/EBITDA, which measures the number of years necessary to pay the debt taken on if EBITDA remains constant, began to fall slightly to 4.43 compared with 4.82 recorded at the end of 2009. Similarly, the debt service coverage ratio, measured using EBIT, improved slightly to 2.78 times (2.4 to the end of 2009), as a result of the fall in interest rates and the improvement in the operating profit. The values of both indicators, despite the improvement, show the difficulties which non-financial companies, particularly construction and real estate companies, are still undergoing to service the debt with the funds generated from their ordinary operations. They are still far from the values recorded in 2005 and 2006.

13 Gross financial debt = Debts with credit institutions + issues of debentures and tradable securities.

Coverage ratios

FIGURE 8



Source: CNMV.

Table 5 shows the trend in the level of debt and the key related ratios by sector. Particularly noteworthy are construction and real estate companies, whose debt/EBITDA and debt service coverage ratios are 15.36 and 0.76 respectively.

Trend of debt by sector

TABLE 5

		2005	2006	2007	2008	2009	1HY10
Energy	**Debt**	**58,586**	**59,191**	**69,172**	**82,608**	**100,572**	**100,315**
	Debt/Equity	0,93	0.89	0.78	0.89	1.08	1.01
	Debt/EBITDA	2,41	2.17	2.48	2.82	3.46	2.98
	Operating profit/ Debt service cost	4.02	4.65	4.10	3.67	3.38	3.60
Manufacturing	**Debt**	**12,760**	**15,684**	**13,312**	**15,645**	**15,953**	**16,425**
	Debt/Equity	0.75	0.78	0.61	0.69	0.69	0.69
	Debt/EBITDA	2.07	2.07	1.82	2.71	3.05	2.47
	Operating profit/ Debt service cost	6.50	5.71	5.93	3.41	3.15	4.82
Retail and services	**Debt**	**55,710**	**91,522**	**96,941**	**112,322**	**108,579**	**118,615**
	Debt/Equity	1.70	2.52	1.70	2.14	1.78	1.98
	Debt/EBITDA	2.68	3.58	3.01	3.58	3.70	3.91
	Operating profit/ Debt service cost	3.37	2.44	3.23	2.86	3.28	3.38
Construction and real estate	**Debt**	**48,324**	**111,000**	**138,933**	**119,788**	**104,762**	**109,990**
	Debt/Equity	2.16	3.10	3.08	3.77	4.08	4.21
	Debt/EBITDA	6.52	11.52	10.83	31.87	22.48	15.36
	Operating profit/ Debt service cost	2.79	2.04	1.17	0.01	0.31	0.76
Adjustments*		**-7,942**	**-11,199**	**-17,391**	**-20,802**	**-1,908**	**-1909**
Total	**Debt**	**167,438**	**266,198**	**300,967**	**309,561**	**327,958**	**343,436**
	Debt/Equity	1.27	1.71	1.48	1.63	1.63	1.65
	Debt/EBITDA	2.90	3.86	3.96	4.63	4.82	4.43
	Operating profit/ Debt service cost	3.82	3.29	3.03	2.01	2.42	2.78

Source: CNMV.

* In the adjustment row, the data on issuers that are subsidiaries of another listed company belonging to a different sector are eliminated.

In this context, there is a clear fall in the coverage ratio (debt/EBITDA) in the construction and real estate sector, as a result of the improvement in operating profits of the companies in the sector.

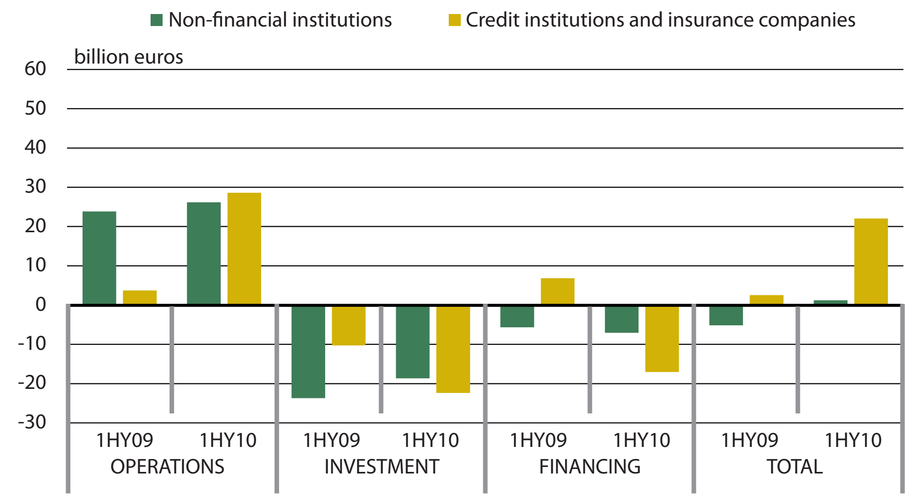
The debt service cost ratio (operating profit/financial cost) improved in all sectors as a result of better performance in the operating profit and low interest rates.

In conclusion, debt continues growing in overall terms. However, the indicators over the first half of 2010 show a slight improvement in companies' financial situation, although all the ratios continue to be very far from the values seen before the start of the crisis.

6 Cash flows

Figure 9 shows the aggregate changes in cash flows generated in the first half of 2009 and 2010 by the companies in our sample, distinguishing between flows arising from operations, investment and financing, with the totals corresponding to the changes in cash and cash equivalents over the period. In addition, non-financial institutions are separated from credit institutions and insurance companies given the different nature of their activities.

Cash flows FIGURE 9



Source: CNMV.

The trend in cash flows was uneven between different sectors, as described below:

- **Non-financial institutions.** In aggregate terms, cash flows from operations (26,181 million euros) were higher than net investments made in the period (18,649 million euros). The issuing companies have not used this difference to increase the volume of dividends paid, which fell by 6,327 million euros, nor have they used it to reduce debt, which has led to a 1,203-million euro increase in the net amount of cash and cash equivalents, compared with a net fall of 5,157 million euros in the first half of 2009.

  In net terms, financing activities show a cash outflow of 7,047 million euros, 24.7% up on the previous year. Noteworthy is the reduction in the amount of dividends paid as a result of the dividend paid by one company in the sample in 2009 following the sale of assets for a gross amount of 6,243 million euros.

- **Credit institutions and insurance companies.** The anti-crisis schemes implemented by different governments and by the European Central Bank as of the second half of 2008 have mitigated the liquidity problems of credit institutions as a whole. In this regard, it is noteworthy for credit institutions as a whole the change in the sign of flows from financing compared with 2009 (funds applied of 17,023 million euros in the first half of 2010 compared with funds obtained of 7,299 million euros in the first half of 2009). This was the result of the amortisation of subordinate liabilities and the acquisition of treasury shares.

  Similarly, there was a change of the sign in the flows from investment for banks, changing from positive flows of 537 million euros in the first half of 2090 to negative flows of 8,900 million euros in the first half of 2010, mainly applied to the acquisition of portfolio of investments held to maturity.

  Although banks increased liquidity surpluses by 14% in the first half of 2009, savings banks reduced their liquidity by 16% at the end of the first half of 2010 as the funds obtained from operating activities (13,122 million euros) did not offset the net funds applied to investment (14,268 million euros) and those applied to financing (4,401 million euros).

  For insurance companies, the highlight was net cash obtained from investment, totalling 491 million euros. Cash applied to operations and financing totalled 229 million euros and 2 million euros respectively. The changes shown led to an aggregate amount of cash and cash equivalents at the end of the first half of 2010 which was 4% lower than that at the start of the period.

7 Number of employees

Table 6 shows the average aggregate workforce for the six sectors analysed in the first halves of 2010 and 2009, with a 1.1% year-on-year increase in average workforce.

Average workforce by sector TABLE 6

	1HY09	1HY10	(% change)
Energy	123,280	133,165	8.0
Manufacturing	238,975	241,732	1.2
Retail and services	573,488	594,550	3.7
Construction and real estate	422,424	417,836	-1.1
Credit institutions	445,797	435,713	-2.3
Insurance companies	41,067	40,922	-0.4
Adjustments*	-6,742	-6,044	-10.4
Total	**1,838,289**	**1,857,874**	**1.1**

Source: CNMV.

* In the adjustment row the data on issuers that are subsidiaries of another listed company belonging to a different sector are eliminated.

The average workforce increased in all non-financial sectors, except in construction and real estate. The increase in the number of workers is mainly due to corporate operations carried out by companies in the sample and to the accounting effect of a business combination in the energy sector.

The aggregate average workforce in credit institutions in the first half of 2010 recorded a 2.3% fall compared with the same period of the previous year. The fall in the number of employees was more notable in banks (2.5%) than in savings banks (1.6%). It is important to bear in mind that savings banks are expected to make most of their workforce adjustments over 2010, together with the different merger processes currently in progress.

The fall in the number of employees in credit institutions did not lead to lower personnel costs, which in fact increased by 3.7%. Consequently, the average cost per employee totalled approximately 51.7 thousand euros in banks and 67.1 thousand euros in savings banks.

On an aggregate level, the annual average cost per employee amounted to approximately 38.7 thousand euros in the first half of 2010, compared with 36.8 thousand euros in the same period the previous year as the increase in personnel costs (6.2%) was higher than the increase in average workforce (1.1%).

When comparing this increase with the trend in the unemployment rate in Spain, at least the following factors must be taken into account:

- Non-financial companies in the sample generated 48.7% of their figures abroad. For credit institutions, 46.7% of interest and similar revenue comes from abroad. Therefore, the average workforce data includes the effects available in other countries.

- The increase in the unemployment rate was particularly pronounced in the construction sector. However, it did not affect personnel on the payroll of listed companies in the sector as most of their construction activities are subcontracted.

8 Dividends

Dividends paid in the first half of 2010 totalled 9,517 million euros. Table 7 shows the dividends paid in the first halves of 2010 and 2009 by sector.

Dividends paid by sector TABLE 7

	1HY09	1HY10	(% change)
Energy	7,931	1,034	-87.0
Manufacturing	846	603	-28.7
Retail and services	3,291	3,936	19.6
Construction and real estate	547	508	-7.1
Credit institutions	4,270	3,616	-15.3
Insurance companies	268	271	1.1
Adjustments*	-220	-451	105.0
Total	**16,933**	**9,517**	**-43.8**

Source: CNMV.

* In the adjustment row the data on issuers that are subsidiaries of another listed company belonging to a different sector are eliminated.

In aggregate terms, the total figure for dividends paid by listed companies fell by 43.8%. This sharp fall in the total figure of dividends paid is largely due to the 6,243-

million euro dividend paid by a company in the electricity sector in the first half of 2009, resulting from the sale of assets, and the time cut of the dividends of two companies in the sample which paid an interim dividend for 2009 in December of that year, whereas in previous years it was paid in the first half of the subsequent year. Therefore, excluding these effects, the fall in total dividend in 2010 would only have been 3.8%.

9 Conclusions

Despite the positive performance of operating results (+7.4%) and net turnover (+2%), aggregate net profits of listed companies as a whole fell by 3.6% in the first half of 2010 compared with the same period of the previous year as a result of the fall in the results of credit institutions and construction companies.

Profits of non-financial companies increased in all sectors except for construction and real estate, although the fall in profits in this sector compared with the first half of 2009 is mainly due to the gains from asset disposals carried out in that year.

The intermediate margins - EBITDA and operating profit/loss - of listed non-financial companies improved significantly in all sectors, including the construction and real estate sector, due to value adjustments and the effects of the restructuring processes carried out in previous years. This has made it possible for companies to adapt their fixed cost structures to the new demand conditions.

Despite the overall positive results from the non-financial corporate sector, it continues to show certain vulnerability arising from its level of debt, which continues to grow for the sector as a whole. A total of 44 companies recorded losses during the first half of 2010, compared with 57 in the same period of the previous year. Thirteen of the loss-making companies belong to the real estate sector.

The profits of credit institutions were dragged down by the provisions for bad loans, impairment losses and the increased cost of deposits as a result of greater competition for obtaining this type of liability.

Remuneration systems of directors of listed companies: Level of transparency, development and structure of remuneration

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1 Introduction

The recent international financial crisis has triggered an extensive debate about the remuneration systems for directors and senior managers of listed companies.

This article includes a quantitative and qualitative analysis of the situation in Spain and other similar countries, indicating the main practices and trends.

The article is structured into the following sections: Section 2 describes the development of the regulatory framework and the main international trends. Section 3 presents the remuneration of the Board and of senior management in Spain by analysing the development of aggregate data and by describing the components of the remuneration. Section 4 describes share-based remuneration systems. Section 5 shows the development of profit-related remuneration. Section 6 shows the remuneration of the Board by sector. Section 7 discusses the recommendations of the Unified Code on remuneration. Section 8 analyses the level of transparency of remuneration systems through the remuneration reports of a sample of companies belonging to the Stoxx 50. Finally, section 9 puts forward a series of conclusions.

2 Development of the regulatory framework and main international trends

This section shows the main trends in Europe regarding remuneration, regulation in the USA, and in particular the role of the SEC in the process of reviewing the information on remuneration systems, as well as the new elements contained in the Spanish regulatory framework.

2.1 Application of the 2009 European Commission recommendations

In its 2009 recommendation[1] on the remuneration system of directors of listed companies (hereinafter, the Recommendation), the European Commission invited Member States to adopt the necessary measures to foster its application by 31 December of that year. Since the monitoring report published by the European Commission in 2007,[2] half of the Member States had already been developing additional measures relating to the remuneration of directors. In January 2010, Member States were requested to provide an update and, in May 2010, the European Commission published a new monitoring report. The most significant aspects of the application of the Recommendation are summarised below:

1 See European Commission (2009).

2 See European Commission (2007).

(i) General Situation:

- Most of the States which have adopted the Recommendation have done so through their corporate governance codes. In a group of eight States, legislative proposals and/or code revisions are in progress.

- Some States do not consider it necessary to introduce the measures contained in the Recommendation. Two States argue that they have not detected any significant problems regarding remuneration.

- Ten States have already adopted at least half of the recommended measures, while only a minority have implemented the full content of the Recommendation.

- The measures regarding variable remuneration have been implemented to a much greater extent than those relating to the Remuneration Committee.

- The application of the measures on information disclosure and the voting of shareholders have increased significantly in recent years. However, there are differences regarding the purpose and nature of shareholder voting (binding or not), as well as the possible consequences of an unfavourable consultation vote.

- Although there is a clear trend in the implementation of these aspects through binding provisions (rules), there are significant differences between the Member States regarding their scope.

(ii) Structure of the remuneration policy:

- Most Member States recommend or require variable remuneration to be linked to performance criteria. However, it is not always explicitly required for these criteria to be predetermined and measurable.

- Approximately half of the States recommend or require companies to set variable remuneration limits.

- The recommendation for the deferment of variable remuneration has been adopted by nine States.

- The clawback clauses[3] have been introduced in nine States. This measure has been subject to legislation more often than other aspects of the Recommendation.

- Six States recommend or require that compensation be limited to a maximum of two years of fixed remuneration.

3 In accordance with these clauses, which the Recommendation states should be incorporated in the contractual agreements with executive directors and executives, the companies may claim back the variable components of the remuneration which have been paid on the basis of data which are subsequently proven to have been manifestly misstated.

(iii) Share-based remuneration:

- Ten States recommend or require that shares may not be disposed of for a period of at least three years following them being awarded, and that share options may not be exercised in a similar period.

- The Commission recommended that share ownership and the right to exercise options should be subject to predetermined and measurable performance criteria. In practice, this means that after they are awarded, the shares may only be held or the option right exercised if previously set performance criteria are met. This measure has been implemented in eight States. According to the Commission, its limited application will be justified by the fact that some States have interpreted the Recommendation differently, and have understood that it is the awarding of the shares or rights themselves which should be subject to the performance criteria.

- Numerous States recommend or require certain information to be published. In most cases they do it through a list of items which must be included in the disclosures about the remuneration policy. Only a minority of States explicitly recommend or require that this information should be clear and easily understandable.

- A minority of States have adopted a recommendation for promoting shareholder voting. From the Commission's point of view, the simple fact that shareholders have the right to vote on remuneration policies does not represent a measure to promote shareholder voting.

(iv) Remuneration Committee:

- Most States have introduced the creation of a Remuneration Committee, although with differences in their tasks and functioning.

- Only six States recommend or require that one of the Remuneration Committee's members should have experience in the area of remuneration policies.

- Seven States have established measures so that external consultants may not provide other services to the company. As an alternative, other States have opted for recommending the disclosure of information about other services which the advisor provides to the company or verification of whether there are any conflicts of interest.

2.2 Transparency of remuneration systems in the United States

The United States has not regulated a unique disclosure model for all the information on remuneration systems of directors of listed companies. Specifically, companies provide this information through the following public reports:

- *Schedule 14-A (annual proxy statement)*: Written declaration which a company must make available to its shareholders before a meeting is held. The main aim is to allow shareholders to form an opinion about the directors which the company proposes for election (nominated directors), for which they must provide information on:

- companies and sectors which they have worked in, offices and positions held, as well as potential conflicts of interest.
- Remuneration which they will receive as directors.
- Remuneration as executives, including: salary, annual bonus and any other type of remuneration (severance pay, pension plans etc).

- *Form 10-K (audited annual report)*: This provides information about the company's business and its financial position. One of the chapters exclusively covers executive remuneration and describes in detail the information which companies have to provide in this matter, including standard forms for information on the different components of the remuneration package.

- Finally, issue prospectuses and significant events may also include information about remuneration.

With regard to the review system of the Securities and Exchange Commission , the Sarbanes-Oxley Act of 2002 requires the SEC to review the information published by each listed company at least once every three years. However, the SEC states that it reviews a large number of these companies more frequently, even once a year in many cases. In each one of the last three tax years, the SEC's Corporate Finance Division has stated that it has reviewed the public information of over 5,000 companies.

Following its reviews, the SEC sends the companies specific comments about the quality of the information provided.

Even though the SEC points out that the companies which have been reviewed previously show ongoing improvement in the information which they provide, it identifies the following opportunity areas for the coming years:

(i) Analysis: Companies should explain the decisions taken regarding remuneration and not only describe the framework within which they are developed. They should also prepare more concise reports as in many cases they include unnecessary information which makes them more difficult to understand.

(ii) Performance targets: This is the area which the SEC makes most comments on. Firstly, it considers that companies should determine whether the performance targets which have been set are suitable for their remuneration policy. The second step would consist of specifically disclosing and, as far as possible, quantifying said targets, except when said information may be used by the competition with adverse effects for the company.

2.3 IOSCO recommendations in 2010

In its document on periodic disclosure by listed entities,[4] IOSCO analyses aspects including the transparency of the remuneration systems of directors and senior management. In particular, IOSCO points out that the information must be clear in order to facilitate comparison, both over time and between different issuers, and recommends that it is made easier for shareholders to assess through disclosure of information on the following aspects:

(i) Description of the decision-making process for remuneration policies including, as the case may be, the composition and mandate of the Remuneration Committee.

(ii) Main characteristics of the remuneration system, including those relating to performance and/or risk.

(iii) Quantitative information: Breakdowns for fixed/variable, paid/deferred, and cash/in shares.

2.4 Regulatory framework in Spain 2009-2010

Spain has made progress in incorporating the European Commission's recommendations by means of a process which includes both developing legislative initiatives and adapting the Unified Code of Good Governance of listed companies.

(i) Legislative initiatives

- The Sustainable Economy Bill,[5] published in the first quarter of 2010, aims to establish as mandatory certain recommendations of the Unified Code on remuneration transparency, which have traditionally been those which were least followed by listed companies.

- This Bill provides that, together with the annual corporate governance report, the Board of listed public limited companies must present a report on the remuneration of their directors and senior management which includes full, clear and understandable information about the remuneration policy.

- The report will also include an overall summary of how the remuneration policy was applied during the previous year, as well as a breakdown of the individual remuneration for each one of the directors and senior managers.

- The Bill also empowers the Ministry of Economy and Finance or, with its express authority, the CNMV, to develop the content and structure of the new transparency obligations.

(ii) Update of the Unified Code

- At the end of 2009, the Project for Updating the Unified Code of Good Governance of listed companies was put forward for public consultation. The

4 See International Organization of Securities Commissions (2010).

5 Available at: http://www.economiasostenible.gob.es/wp-content/uploads/2010/03/01_proyecto_ley_economia_sostenible.pdf

aim of this update is to adopt, under the principle of "comply or explain", all the measures put forward in the Recommendation (except those included in the Sustainable Economy Bill).

- Having analysed all the comments received during the consultation period, the update of the Unified Code will be put forward for approval by the CNMV's Executive Committee and its Board following publication of the Sustainable Economy Bill in the official state gazette (BOE).

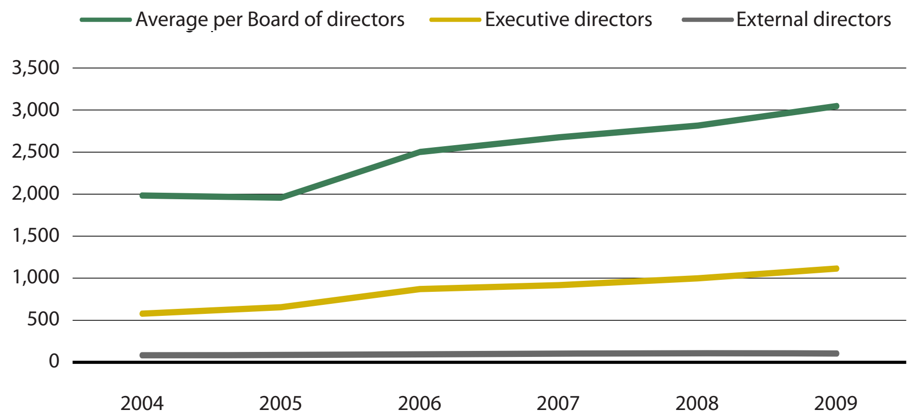
3 Remuneration of the Board and senior management in Spain

Listed companies must make an aggregate breakdown of the remuneration of the Board by item and by type of director in their Annual Corporate Governance Reports (hereinafter, ACGR).[6] The companies which follow recommendation 41 of the Unified Code also offer additional information about the remuneration of each director, individualised and broken down by item, in their reports.

Figure 1 shows the average remuneration per Board of Directors, per executive director and per external director for the period 2004-2009

Average remuneration per Director and type of director FIGURE 1

thousand euros



Source: Company ACGR and CNMV.

In 2009, the average remuneration received per Board amounted to 3 million euros, 8.3% up on 2008. The average remuneration per director stood at 291,725 euros annually, an increase of 7%. These increases are mainly the result of severance pay in 2009. Specifically, one company paid 29.7 million euros in severance pay and early retirement of three directors. Deducting this amount, the average increase in remuneration per Board would have totalled 1.5%, and the average per director 0.3%.

6 The statistics contained in this article include the information disclosed by the companies of the sample in the specific sections on remuneration in their ACGR, which are automatically added to the databases used to prepare the tables and figures. These do not include the additional information which the companies provide in section "G" (other general information) in the ACGR and/or in the 2009 annual report.

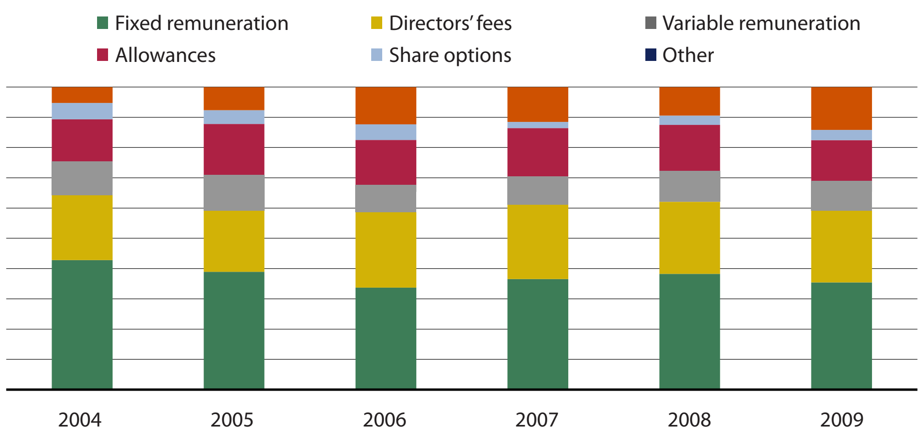
In turn, average remuneration per executive director rose by 11.7% (1.7% deducting the severance pay effect) and totalled 1.1 million euros.

The remuneration of external directors amounted to 104,365 euros, a year-on-year fall of 2.1%. This fall did not affect all the types of directors in the same way. Proprietary directors and other external directors suffered year-on-year falls of 5.7% and 13.6% respectively, while the remuneration of independent directors rose by 6.5% on average. This increase is due to the greater presence of independent directors on the Board's committees, who earn additional remuneration for sitting on these committees, above all in Ibex companies.

3.1 Analysis of the Board's remuneration by item

Figure 2 shows the development of the distribution, by item, of remuneration received by boards of directors. Noteworthy is the increase in 2009 of the item "other" from 9.4% to 14.1%, and the fall in fixed remuneration from 38.2% in the previous year to 35.5% in 2009.

Board remuneration by item FIGURE 2



Source: Company ACGR and CNMV.

3.1.1 Fixed remuneration

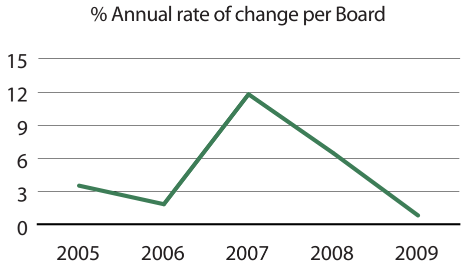
This item includes remuneration received by directors both for the activities which they perform within the Board and for performing senior management functions in the case of executives.[7] It is the most important item within the directors' remuneration scheme, as shown by the fact that it accounts for percentages of just over 30% both for Ibex companies and for other companies, and almost all companies pay fixed remuneration.

7 Arcelor Mittal is not included as it is not required to file an ACGR in Spain.

Fixed remuneration

FIGURE 3

thousand euros



2009	No. of companies	Average (thousand euros)	Average deviation (thousand euros)	Maximum (thousand euros)	Minimum (thousand euros)	Average change 2009-2008 (%)	Proportion of total remuneration (%)
Ibex	34	2,909	2,867	11,820	380	0.2	33.5
Others	97	706	589	3,068	18	-3.0	38.7
Total	**131**	**1,278**	**1,812**	**11,820**	**18**	**0.8**	**35.5**

Source: Company ACGR and CNMV.

In fact, a total of 131 companies (84.5% of the sample) paid out fixed remuneration in 2009. The fixed remuneration per Board in 2009 amounted to 1.3 million euros.[8] A high level of dispersion can be seen in the sample and a high correlation between the company's capitalisation and the importance of this remuneration item. A total of 37 companies (28.2% of the total) paid higher-than-average fixed remuneration to the Board (1.3 million euros). Of these, six companies exceeded four million euros per Board. In 2009, the average fixed remuneration per Board continued to increase, although at a slower rate than in previous years. The average rate of growth was 0.8%, compared with 6.5% in the previous year.

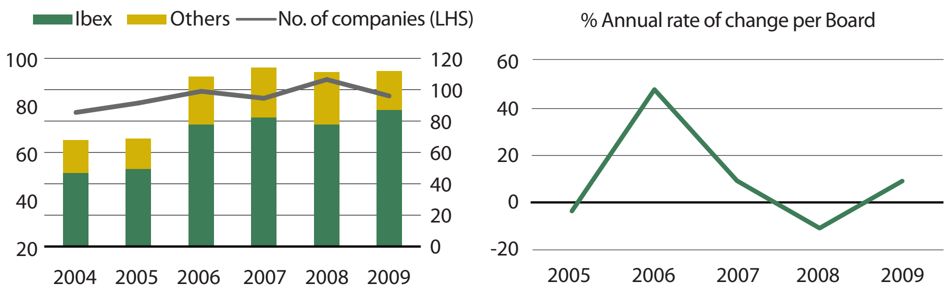
3.1.2 Variable remuneration

Variable remuneration aims to link directors, generally executive directors, with the achievement of medium- and long-term targets through strategic plans or value creation. It is the second most important item within the remuneration scheme for boards of directors, accounting for a little under 30% of total remuneration in the case of Ibex companies and 14% for other companies.

8 The average amount is calculated on the basis of the number of companies which disclose this item.

Variable remuneration FIGURE 4

thousand euros



2009	No. of companies	Average (thousand euros)	Average deviation (thousand euros)	Maximum (thousand euros)	Minimum (thousand euros)	Average change 2009-2008 (%)	Proportion of total remuneration (%)
Ibex	32	2,725	3,211	15,240	6	22.4	29.5
Others	52	478	656	3,818	6	-16.9	14.0
Total	**84**	**1,334**	**2,306**	**15,240**	**6**	**9.1**	**23.7**

Source: Company ACGR and CNMV.

A total of 84 companies (54.2% of the sample) paid variable remuneration in 2009. The average remuneration per Board was 1.33 million euros, compared with 1.22 million euros in 2008, an increase of 9.1%. Of the 21 companies which exceeded the average variable remuneration (1.33 million euros), over half (18) belong to the Ibex. Six of these companies exceeded four million euros per Board. The variable remuneration of Ibex companies accounted for 77.8% of the total paid for this item in 2009 (70% in 2008).

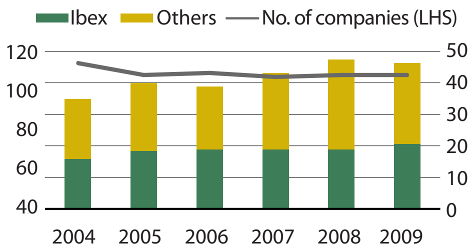
3.1.3 Allowances

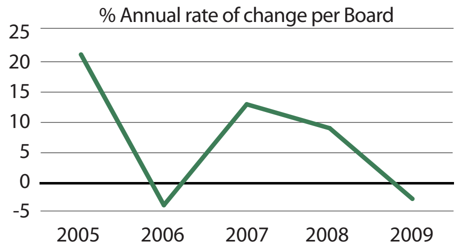
The allowances which remunerate the persons belonging to the different governance bodies in a company can be structured in two ways: (i) a fixed amount for attending each meeting or (ii) a fixed amount for belonging to the body, irrespective of the number of meetings which are held or those which are attended by the director.

Allowances

FIGURE 5

thousand euros





2009	No. of companies	Average (thousand euros)	Average deviation (thousand euros)	Maximum (thousand euros)	Minimum (thousand euros)	Average change 2009-2008 (%)	Proportion of total remuneration (%)
Ibex	23	898	989	4,834	16	4.4	7.0
Others	85	300	348	2,341	4	-9.3	14.4
Total	108	428	598	4,834	4	-2.6	9.8

Source: Company ACGR and CNMV.

Figure 5 shows that 69.7% of the companies made payments for this item, which on average totalled 428,000 euros. A total of 74 companies (68.5%) paid less than 500 thousand euros per Board for allowances. Seven companies (five from the Ibex) paid allowances in excess of one million euros. The proportion of allowances in the total fell from 10.1% to 9.8% as a result of the fall in allowances received by the directors of other companies which are not listed on the Ibex (- 9.3% on average), which were not offset by the increase in allowances in Ibex companies (4.4% on average). In listed companies as a whole, allowances fell on average by 2.6% in 2009.

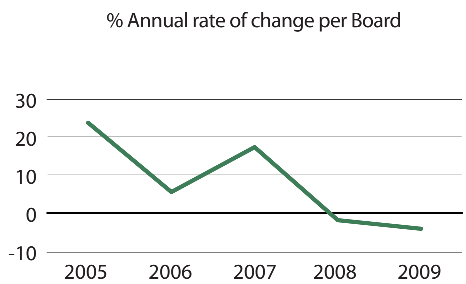
3.1.4 Directors' fees

Directors' fees are remuneration for members of the company's Board of Directors which are stipulated in its articles and which are paid annually.

Directors' fees

FIGURE 6

thousand euros



2009	No. of companies	Average (thousand euros)	Average deviation (thousand euros)	Maximum (thousand euros)	Minimum (thousand euros)	Average change 2009-2008 (%)	Proportion of total remuneration (%)
Ibex	13	2,079	1,798	5,897	181	11.5	9.2
Others	40	919	1,204	6,195	14	-13.1	20.7
Total	**53**	**1,203**	**1,445**	**6,195**	**14**	**-4.2**	**13.5**

Source: Company ACGR and CNMV.

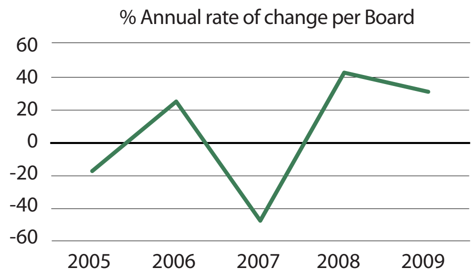
34.2% of the companies declared they had paid directors' fees in 2009. 81.1% of the companies which paid fees to their directors did not exceed 2 million euros per Board. Directors' fees fell by 4.2% and accounted for 13.5% of total remuneration. It should be pointed out that this fall is not due to Ibex companies, as these companies increased the fees on average by 11.5%. The other companies, on the other hand, reduced them by 13.1% (see figure 6).

3.1.5 Share options

As can be seen in figure 7, this remuneration mainly applies to Ibex companies.

Share options FIGURE 7

thousand euros



2009	No. of companies	Average (thousand euros)	Average deviation (thousand euros)	Maximum (thousand euros)	Minimum (thousand euros)	Average change 2009-2008 (%)	Proportion of total remuneration (%)
Ibex	6	2,565	2,813	7,233	203	26.3	5.2
Others	5	148	76	226	40	-55.7	0.4
Total	**11**	**1,466**	**2,356**	**7,233**	**40**	**31.2**	**3.4**

Source: Company ACGR and CNMV.

Specifically, Ibex companies accounted for 95.4% of the total paid for this item in 2009. This figure was substantially greater than the 60% recorded in 2008, partly due to the notable fall in this item in other companies since 2006. Similarly, it should be pointed out that three companies declared amounts greater than 2 million euros per Board in 2009. The proportion of share options as part of total remuneration was low, totalling 3.4% in 2009.

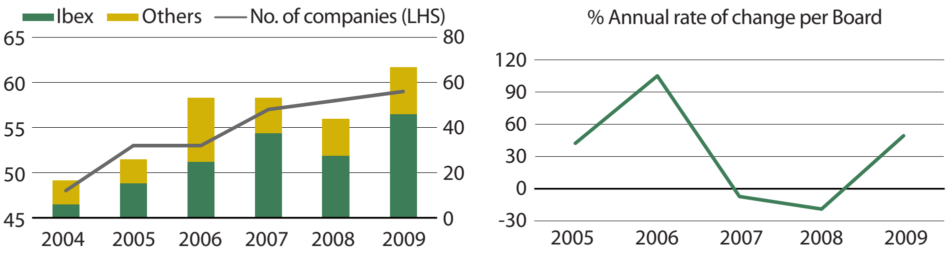
3.1.6 Other remuneration items

This category includes severance pay, multi-year incentive plans which companies do not consider as variable remuneration and payments in kind. Severance pay in cash was a significant proportion of the total and led the year-on-year changes as it is more cyclical and volatile than the other Board remuneration items.

Other remuneration items

FIGURE 8

thousand euros



2009	No. of companies	Average (thousand euros)	Average deviation (thousand euros)	Maximum (thousand euros)	Minimum (thousand euros)	Average change 2009-2008 (%)	Proportion of total remuneration (%)
Ibex	22	2,087	6,258	29,758	3	66.8	15.6
Others	37	562	1,129	5,330	1	23.3	11.7
Total	**59**	**1,131**	**3,940**	**29,758**	**1**	**49.4**	**14.1**

Source: Company ACGR and CNMV.

As can be seen in figure 8, a total of 59 companies (22 from the Ibex) declared that they made payments for this item in 2009, up 49.4% on the previous year. This was due to the fact that, as mentioned previously, one company made severance payments of 29.7 million euros. This amount accounts for 44% of the total. Excluding this amount, the total would have fallen on average by 15%.

3.1.7 Other remuneration benefits

In addition to the remuneration items mentioned above, companies grant their directors other benefits. The nature, average amount and trend for these benefits are shown in table 1.

Average amount of other remuneration benefits

TABLE 1

	Ibex					Others					Total				
thousand euros	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Advances	219	44	149	430	0	44	74	22	134	26	160	108	106	282	26
Loans granted	3,191	4,358	6,073	7,938	11,078	28,233	49,256	17,818	9,230	12,643	18,693	30,889	12,784	8,861	11,861
Pension scheme contributions	1,749	5,193	3,582	3,728	1,582	290	411	193	271	122	1,019	2,973	1,699	1,832	786
Pension scheme obligations	38,961	48,268	68,280	80,843	103,611	13,756	8,092	7,412	7,605	6,920	28,459	32,815	40,613	47,553	55,265
Life insurance premiums	119	159	402	224	593,3	217	342	35	34	38	170	257	202	111	255
Guarantees	2,024	4,876	4,191	8,612	5,130	41,726	42,987	18,692	7,705	9,319	24,711	26,653	12,650	8,083	7,224

Source: Company ACGR and CNMV.

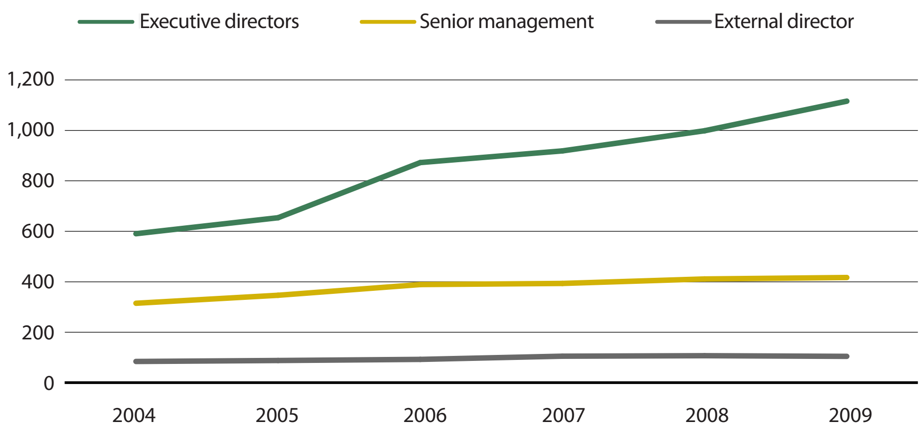
For companies as a whole, the only items which grew in 2009 were loans granted and life assurance premiums, which rose by 34% and 130% respectively, although life insurance premiums account for a very small proportion of the total of other remuneration benefits. Pension scheme obligations, which account for most of the amount of other remuneration benefits (73.3% in 2009), continue to increase at rates of over 15% per year. The trend for this item differs depending on the type of company. For Ibex companies it increased by 28%, compared with a 9% fall for other companies. Advances, which do not account for a significant proportion of the total, fell as Ibex companies no longer use this benefit. Finally, pension scheme contributions fell on average by 57.1%, mainly due to the 57.6% fall in Ibex companies.

3.1.8 Trend of Board remuneration by type of director

Figure 9 shows the trend for the average remuneration of executive directors, senior management and external directors.

Remuneration by type of director and senior manager FIGURE 9

thousand euros



Source: Company ACGR and CNMV.

3.1.9 Remuneration of executive directors

In 2009, the remuneration of executive directors accounted for 70.9% of total remuneration. Table 2 shows the average remuneration of executive directors.

Average remuneration of executive directors TABLE 2

thousand euros	2005	2006	2007	2008	2009
Ibex	1,465	1,911	2,264	2,206	2,720
Others	350	455	433	539	502
Total	**654**	**872**	**918**	**999**	**1,115**

Source: Company ACGR and CNMV.

According to this data, the average remuneration of executive directors in Ibex companies was 4.6 times higher than in other companies over recent years. In 2009, this difference rose to 5.4 times, which can be explained by the fact that Ibex companies have established remuneration policies aimed at increasing the loyalty of the management team by means of incentive plans, options and high-value severance or retirement clauses.

The increase in executive director remuneration is partly explained both by severance pay and retirement pay for directors and by the multi-year plans collected by executive directors in 2009.[9] This item increased by 11.7% in 2009. However, deducting the above mentioned effect, this increase falls to 1.7%.

3.1.10 Remuneration of external directors

The remuneration of external directors broke the upward trend of recent years, falling by 2.1% in 2009 (see figure 9). Proprietary directors and other external directors saw their average remuneration fall in 2009, while average remuneration for independent directors rose (see table 3).

Average remuneration of external directors TABLE 3

	Ibex					Others					Total				
thousand euros	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Proprietary	135	119	131	144	142	66	74	90	87	80	83	86	101	102	96
Independent	130	148	184	171	184	47	48	63	65	60	80	85	105	104	110
Other external directors	439	528	169	321	297	104	88	88	99	91	212	208	135	162	140

Source: Company ACGR and CNMV.

Part of the increase in average remuneration of independent directors is explained by their greater presence on delegated committees and by some changes in the composition of the Ibex.

3.1.11 Remuneration of senior management

In 2009, the average remuneration of senior management amounted to 416,590 euros, an increase of 1.3% (see figure 9). The difference in growth between the average remuneration of executive directors and that of senior management was affected by the severance payments made by one company.

4 Description of share-based remuneration systems

A total of 23 companies declared in their ACGR that 67 directors are beneficiaries of share options which correspond to remuneration systems whose exercise period has not yet expired.

In 2009, the number of companies which disclosed the introduction of remuneration systems based on share prices increased. Specifically, the general meetings of 27 companies approved 38 director remuneration plans referenced to the share price.

42.1% of the option plans implemented a maximum limit of 12,000 euros per beneficiary so as to benefit from certain tax advantages. These systems grant their beneficiaries the possibility of collecting a part of their remuneration in shares and of applying the corresponding tax exemption.

9 Since recommendation 41, mentioned above, is not followed by all Ibex companies, it is impossible to discern the order of importance of these figures.

Below is a summary of the most significant aspects of the remuneration systems which do not have the aforesaid limit of 12,000 euros, relating to the recommendations by the European Commission.

- Fifteen remuneration systems do not include in the General Meeting's resolution that the acquisition of the shares is subject to performance criteria which are predetermined and measurable.
- The others link payment of the incentive with meeting business targets (the most common is gross operating profit), with the personal assessment of the beneficiary, or with the development of the shareholders' return, comparing it with that of the main international companies in the sector.
- In two companies, payment of this remuneration is dependent on there not being a material reformulation of the company's financial statements, and on the directors complying with the codes of conduct and the group not having had a deficient financial performance. In another company, the prior condition is that the director had a good personal assessment, but it is not indicated who makes that assessment. Once the conditions have been met, the rights obtained by the directors will depend on the rise in the share price with regard to a reference index of the main international companies.
- With the exception of two companies, this remuneration is limited to executive directors and senior management.
- In nine companies, ownership of the shares cannot be made effective until at least three years have passed since they are awarded. In one company, the beneficiaries may not take ownership of the shares while they hold their position as directors.
- So as to comply with the Recommendation of the European Commission, some companies have opted to establish a period for exercising options of at least three years. Others have established consolidation periods for the shares. Only one company establishes that once full ownership of the shares has been acquired, the directors must maintain a certain number whilst they hold office.

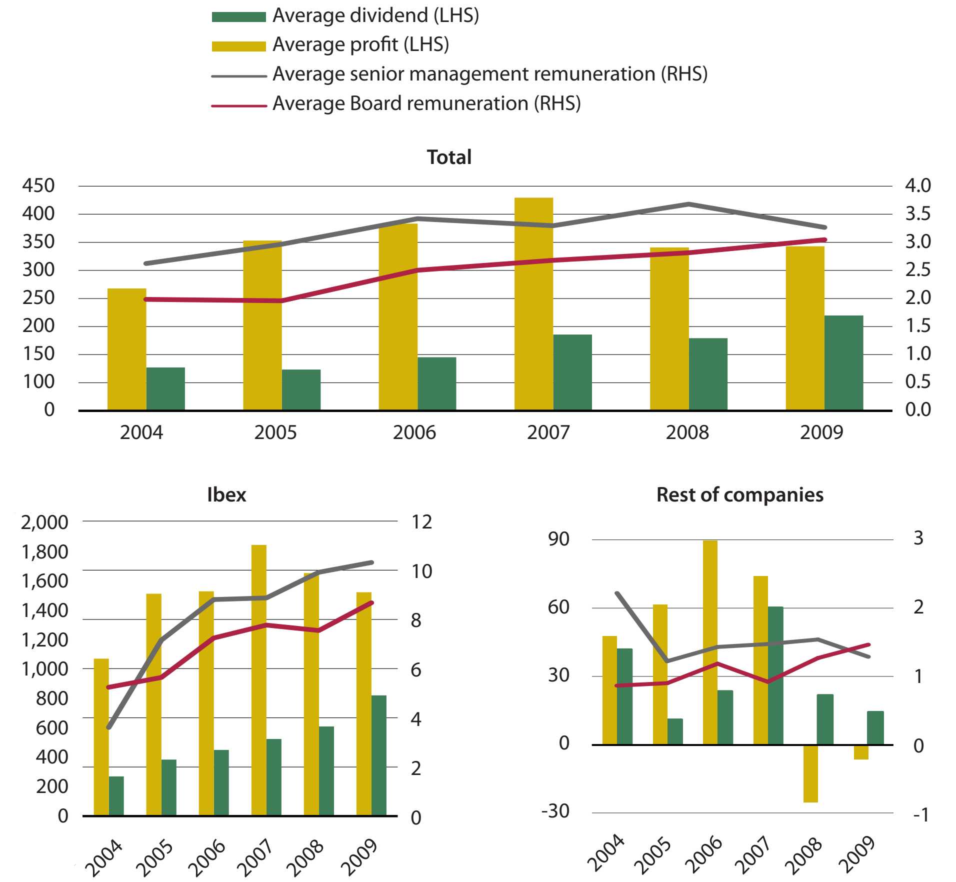
5 Trend of remuneration compared with profit/loss

In general, in recent years, the average remuneration of the Board and senior management has not followed a similar trend to that of average profit/loss before tax of listed companies. However, 2009 saw some adjustment as a result of the fall in the average remuneration of senior management.

PBT, dividends and Board and senior management remuneration

FIGURE 10

thousand euros

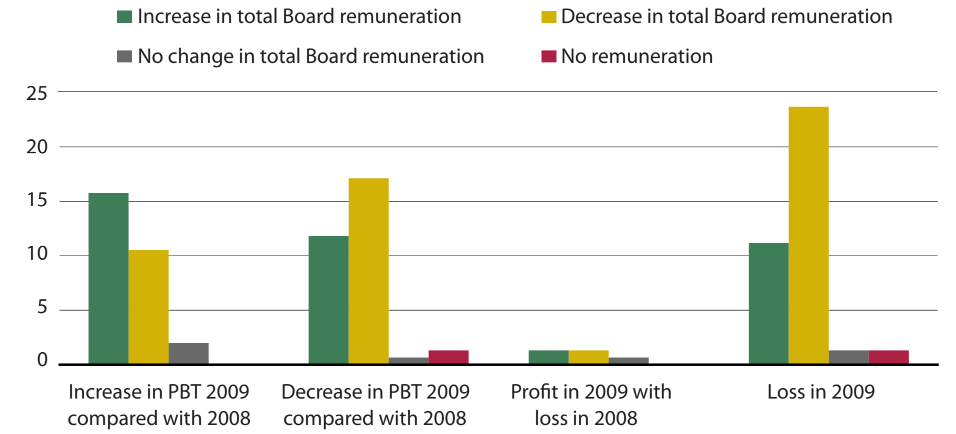


Source: Company ACGR, periodic disclosure and CNMV.

In Ibex companies, severance and retirement payments have led to some asymmetry between the fall in profits and the increase in remuneration, both of directors and executive directors.

Results and Board remuneration

FIGURE 11



Source: Company ACGR, periodic disclosure and CNMV.

Figure 11 shows the percentage of companies grouped according to the average change in the company's profit/loss and in the total Board remuneration. It shows that in 2009, 40.1% of the companies in the sample increased total Board remuneration, while 52.6% reduced it. It should be pointed out that a group of companies representing 11.2% of the total increased total remuneration despite recording losses.

In 2009, a total of 48 companies analysed recorded an increase in their profit compared with 2008. 57 companies (42 in 2008) recorded a loss before tax, and 47 companies obtained lower profits than in 2008. Of the 57 companies (four from the Ibex) which reported losses in 2009, 17 increased Board remuneration and 18 increased senior management remuneration.

Of the 47 companies (14 from the Ibex) which did not suffer losses in 2009 but whose profits fell compared with the previous year, 18 increased the remuneration of their boards of directors and 20 increased the remuneration of their senior management.

6 Board remuneration by sector

Table 4 shows the average remuneration of the boards of directors of listed companies grouped by sector for the period between 2005 and 2009.

Average Board remuneration by sector TABLE 4

thousand euros	2005	2006	2007	2008	2009
Energy & water	2,937	3,692	4,482	4,310	5,670
Manufacturing	1,432	1,328	1,558	1,403	1,875
Construction and real estate	1,617	2,685	2,547	2,945	2,189
Retail and services	2,411	2,603	2,880	3,224	3,325
Financial sector	2,327	3,522	3,616	5,495	5,098

Source: Company ACGR and CNMV.

In 2009, the energy and water sector once again recorded greater average remuneration per Board after overtaking the financial sector. The 31.6% increase recorded in 2009 is largely explained by the increase in the remuneration of the directors of one company, as mentioned above.

On average, companies in the construction and real estate sector are adjusting the remuneration of their directors to the situation which the sector is undergoing, recording a 25,7% percent fall in 2009.

In the financial sector (banks, insurance and portfolio companies), the fall in the remuneration of the directors of three banks offset the increase of another in 2009. As a result, the average fell by 7.2% in 2009.

7 Compliance with the recommendations of the Unified Code

In their ACGR, listed companies have to disclose the level at which they follow the recommendations of the Unified Code. On an aggregate level, the disclosures included in the 2009 ACGR highlight the following aspects.

- On average, listed companies comply with 63% of the recommendations relating to the regime and transparency of director remuneration. In addition, another 12.7% of these recommendations are partially complied with by the companies to which they are applicable. The level of compliance with the recommendations on remuneration is 14 percentage points lower than the average compliance with the Unified Code.

- Without taking into account recommendation 40 - that the Board submits a remuneration policy report to the General Meeting - and recommendation 41 - that the report provides a breakdown of individual remuneration - the level of compliance with the other remuneration recommendations stands at 81.7%. As in previous years, these two recommendations are the ones which are least complied with. The companies which have adopted these good governance practices account for less than one third of the total.

- On the other hand, recommendation 39 - that remuneration policies include the technical checks necessary to ensure that variable remuneration is linked to the professional performance of its beneficiaries - is complied with by all companies except for one.

- A total of fifteen companies (9.7% of total) comply with all the remuneration recommendations which are applicable to them.

- Even though the recommendations on remuneration are the recommendations of the Code which are least complied with, no improvements can be seen with regard to previous years. 13.7% of listed companies declare a level of compliance which is higher than in the previous year, 15% have a lower level of compliance and the remaining 71.2% have maintained the same level of compliance.

- 90.3% of the companies report that they comply with the recommendation that the remuneration of external directors should be that necessary to compensate them for the effort, qualification and responsibility which the office requires, but not so high as to compromise their independence. In reality, the percentage of compliance with this recommendation is greater, since 10 of the 15 companies which reported that they did not comply with it interpreted it incorrectly. These companies believe that they do not comply with it because they have no external directors or because they receive no remuneration.

- In six companies, three less than in the previous year, the remuneration related to the company's profit/loss did not take into account the qualifications which appear in the external auditor's report.

- The recommendation relating to Board remuneration which is most complied with is the recommendation that variable remuneration should be linked to the professional performance of their beneficiaries, and does not simply derive from general trends in free markets or other similar circumstances.

- The recommendation which has the lowest level of compliance is that which requires a report on the remuneration policy for directors to be submitted to the General Meeting as a separate consultation item on the agenda. Only 21.3% of companies comply with it fully, a similar percentage to that recorded in 2008 according to the ACGR.

- Only 28.4% of listed companies indicate in their ACGR that the notes to the annual accounts break down the individual remuneration of their directors.

8 Level of transparency of remuneration systems in Europe

In order to evaluate the level of transparency of the disclosures relating to the remuneration systems of the main listed companies, we have analysed the 2009 annual remuneration reports of a sample of 24 companies of the Stoxx 50, corresponding to eight different nationalities and belonging to eight sectors. The selected reports are different from the ACGR which have been used for obtaining the information analysed in the other sections of this article. In each report we have studied those remuneration aspects which are subject to recommendations in the Unified Code and from the European Commission. The main results are grouped into four sections and summarised below.

8.1 Accessibility of the reports

In general, access to the reports is simple. They are all available on the corporate website, normally in sections of information for investors or chapters on corporate governance.

It is important to bear in mind that the companies which make up the sample are multinational with a wide variety of shareholders. Therefore, the ease of access and updating of the documents on the websites cannot normally be directly extrapolated to listed companies as a whole.

All the reports are available in English. In addition, in most cases (66.7%) they are also available in at least one other language.

The reports analysed differ significantly both in content, in structure and length. This makes comparative analysis difficult.

8.2 Transparency of the process for assigning and approving remuneration policies

All the reports analysed identified the Board of Directors as the body responsible for the remuneration policy of directors. In the case of companies with a dual administration system, all except one indicate that it is the Supervisory Board which defines and approves the remuneration system for executive directors. The salaries and other benefits for members of the supervisory board are set in the articles.

Most of the reports (87.5%) identify and explain the powers of other bodies which participate in the process, such as the remuneration committee, the risk committees or specialised external companies. The collaboration of these external companies is mainly used to obtain information about practices in the market.

58% of the reports analysed provide information about the participation of shareholders in the General Meetings, but it is difficult to find conclusive information about the existence of a binding and explicit vote by said shareholders. In most cases in which information is offered, it only indicates that the report has been submitted to the General Meeting for consultation.

In 79.2% of the companies, clear importance is given to the Remuneration Committee in advising and reviewing remuneration policy. However, there is limited information about its composition as well as the level of compliance with the recommendation that at least one of its members has knowledge and experience in remuneration policies.

However, it is important to take into account that the aforementioned recommendation was issued in the same year that the analysed reports were published and that, according to the European Commission study, only six States have introduced this measure into their codes in 2010.

8.3 Individualisation and breakdown by director

All the analysed reports include, at least for executive directors, the total individualised amount of the remuneration received. Furthermore, all the reports individualise the remuneration of the chairman.

Almost all the companies break down the remuneration items of each one of the Board members. The most frequent items are: base salary (fixed remuneration), bonus (annual variable remuneration) and multi-year incentive plans. The items which are the least individualised relate to attendance payments.

All the reports except one state that the variable components of the remuneration are linked to predetermined and measurable performance criteria, although in some cases this information is provided in a more explicit and detailed manner than in others.

Very few reports state the specific functions and responsibilities of the executive directors, apart from their belonging to certain delegated committees. It is therefore difficult to analyse the differences between the remuneration packages assigned to them.

The reports of five companies (20.8% of the total) provide for the possibility that the companies can claim back the variable components of the remuneration when the payment has not been adjusted to the predetermined performance conditions (they therefore include so-called clawback clauses). It is important to point out that one company indicates that these clauses have been included in their contracts at the request of the directors themselves.

8.4 Qualitative information about the content and parameters of remuneration policies

As mentioned above, one of the main conclusions which can be drawn from the analysis is the heterogeneity of the reports. In this regard, only one of the analysed reports explains in detail the recommendations of the Code which it is applying. Some companies include a generic reference to the code applied (16.7%) without providing any great detail about the content of the specific recommendations. Information provided about the multi-year incentive plans is the most extensive information in the analysed reports, which is understandable because of their complexity.

The aims of the remuneration policy are explained in half of the cases analysed. The most recurring aims are:

(i) Attracting and retaining highly qualified people.

(ii) Aligning the interests of the directors with those of the shareholders (long-term value creation). The multi-year incentive plans and the share retention policies are aimed at meeting this aim.

(iii) Risk control. There is noteworthy reference to aspects relating to risk management, especially in those reports corresponding to banks.

87.5% of the companies take into account the remuneration practices of other companies in their sector when they design and review their remuneration policies so as to ensure that their policy is competitive.

9 Conclusions

The European regulatory framework for remuneration systems continues to evolve in the different States through a combination of legal requirements, precepts of transparency in the framework of the rules of securities markets and recommendations in corporate governance codes.

The United States has not implemented the European philosophy and does not apply the principle of "comply or explain" based on recommendations in voluntary codes. American rules force listed companies to publish qualitative and quantitative information about the remuneration systems of their directors with a significant level of strictness. Compliance with these requirements is submitted to an intensive supervision process by the Securities and Exchange Commission (SEC), which issues letters with recommendations for improvements in the companies which it analyses. The SEC recognises that its system is improving the level of transparency. At this time it is still premature to assess the impact of the US Dodd-Frank Act, which was published in July 2010 and is pending implementation by the SEC.

For its part, the European Commission is reviewing the transparency obligations of listed companies and it may put forward greater harmonisation by means of a directive. Although a clear trend can be seen in Europe towards regulation regarding remuneration policies through binding provisions, there are significant differences between States both in the requirements regarding information on remuneration policies and in the level of detail of individual remuneration. Specifically, the Recommendation of the European Commission formulated in 2009 has been applied unevenly:

- The States which have adopted the Recommendation have mostly done so through their corporate governance codes.

- Ten States have already adopted at least half of the recommended measures, and only a minority have implemented all the measures.

- The recommendations regarding variable remuneration have been implemented to a much greater extent than those relating to the Remuneration Committee.

- The application of provisions on disclosure and shareholder voting have increased significantly over recent years. However, there are differences regarding the aim and nature of shareholder voting (binding or not), as well as regarding possible consequences of an unfavourable consultation vote.

- The majority of the Member States recommend or require variable remuneration to be linked to performance criteria. However, not all the measures adopted by the States explicitly stipulate that these criteria are predetermined and measurable.

Analysis of compliance with these recommendations by Spanish listed companies in 2009 shows the continuation of aspects seen in previous years:

- In 2009, as in 2007 and 2008, the recommendations of the Unified Code with the lowest level of compliance are those related to the transparency of directors' remuneration.

- The level of compliance with the recommendations on remuneration is 14 percentage points lower than the average compliance with the Unified Code.

- On average, in 2009 listed companies fully complied with 63% (62.6% in 2008 and 64% in 2007) of the recommendations relating to the regime and transparency of director remuneration. Similarly, these companies partially complied with another 12.7% of the recommendations applicable to them (13.1% in 2008 and 11.4% in 2007). Therefore, as a whole a little under one quarter of the recommendations are not complied with.

- Recommendation 40 - that the Board submits a report on director remuneration to the General Meeting - and recommendation 41 – that the annual report includes a breakdown of individual remuneration - are the recommendations of the Unified Code which are least complied with, as in previous years.

- The study of the remuneration systems for directors and how they are applied in practice is extremely complex due to the lack of a standardised format. This leads to divergence, heterogeneity and partitioning of disclosures.

With regard to the trend in the structure and amount of director remuneration in 2009, analysis of the public reports of Spanish companies highlights the following points:

- In 2009, fixed remuneration as a proportion of the total fell to 35.5% (42.8% in 2004). The proportion of variable remuneration has remained around 24% since 2007, allowances between 9% and 10% and directors' fees have continued to fall since 2004 (5.4%) to 3.5%.

- 2009 saw an increase in the number of companies which reported that they provide remuneration systems based on giving shares or on changes in the share price. The General Meetings of 27 companies (17.4% of total listed companies) have approved the establishment of 38 of these plans. 42.1% of the option plans implemented a maximum limit of 12,000 euros per beneficiary so as to benefit from certain tax advantages. Of the others, in only seven companies does the resolution of the General Meeting condition the acquisition of the shares on compliance with the director's performance criteria which are predetermined and measurable.

- In 2009, if we deduct the payments made by one company for severance pay and early retirement of directors over the year, the average increase per Board would have been 1.5%, and 0.3% for the average director (8.3% and 7% respectively, without deducting the effect of the aforementioned company). The energy and water sector once again recorded the greatest average remuneration per Board. The increase of 31.6% recorded in 2009 is largely explained by the aforementioned effect of remuneration for directors removed in 2009. However, there was a high level of dispersion in the quantities analysed and a high correlation between capitalisation of the companies and the remuneration of their directors.

- The changes in remuneration do not affect all types of directors equally. Accordingly, for listed companies as a whole, executive remuneration rose on average by 1.7% while remuneration for external directors fell by 2.1%. However, it should be pointed out that independent directors received a 6.5% increase in average remuneration as a result of their greater presence on committees delegated by the Board.

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III Regulatory Novelties

Trends in the institutions and firms supervised by CNMV in the first half of 2010

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1 Introduction

This article aims to highlight the main trends seen in the sector of undertakings for collective investment in transferable securities (hereinafter, UCITS), venture capital firms (VCF), their management companies and investment firms.[1] It also shows the expected short-term trend in these sectors.

The information used herein mainly comes from the experience of the CNMV's Entity Authorisation and Registration Department in processing files relating to the aforementioned firms. The report's reference period is the first half of 2010.

The article is structured as follows. Chapter 2 refers to UCITS, Chapter 3 to venture capital firms, Chapter 4 to investment firms, excluding financial advisory firms, which are analysed in Chapter 5. Chapter 6 focuses on UCITS management companies and Chapter 7 refers to the files relating to the documentation which firms must file relating to rules of conduct. Finally, Chapter 8 summarises the conclusions.

2 UCITS

2.1 Development over the half-year

The development of UCITS in Spain over the first half of 2010 was marked by the situation in international financial markets, particularly by the difficulties experienced in European sovereign debt markets and, as we shall see later, by the strategies adopted by operators to address the fall in assets managed by the sector since July 2007, when investment funds reached their historic high, with assets valued at over 257 billion euros.

The macroeconomic context in which operators have had to execute the investment objectives established in the prospectus documents of the UCITS which they manage has been characterised by a high level of uncertainty and strong destabilising pressures in Eurozone markets. Investor fears about Greece's solvency spread quickly to other countries in the Eurozone, mainly to Ireland, Portugal and Spain, leading to strong tensions in the sovereign debt markets in those countries. The tensions in turn passed on to stock markets, leading to a sharp increase in volatility accompanied by numerous downgrades in credit ratings both for the sovereign debt issuers and the financial institutions in the affected countries.

As a result, operators reduced the exposure of UCITS assets to the securities from the countries with most problems. Similarly, operators had to face increasingly intense competition in products aimed at acquiring retail savings, mainly as a consequence of the pressure of financial institutions in acquiring deposits.

1 Broker-dealers, brokers, portfolio management companies and financial advisory firms.

According to data provided by Inverco, the assets of financial mutual funds in Spain fell by 9.25% in the first half of the year compared with the values in December 2009, and 7.47% compared with June 2009, reaching a figure of 148 billion euros. The fall accelerated in the last quarter of 2010 and was sharpest in the most conservative funds, mainly because of the competition of bank deposits, low interest rates and uncertainties about sovereign debt.

In aggregate terms, redemptions exceeded subscriptions. Divestments were mainly focused on the most conservative funds, specifically "short-term Euro fixed income" and "monetary". The profiles which recorded the highest net positive subscriptions were international fixed-income funds and guaranteed fixed-rate funds.

With regard to the files processed in the CNMV, there continue to be few new products registered, although there is slightly more activity in the launch of new funds, mainly short-term guaranteed fixed-income funds and funds which invest exclusively in fixed income with a high credit rating. Preference for marketing conservative funds reflects both the increase in risk aversion among investors and the competition for deposits. We have also seen a reduction in mergers and liquidations of already-registered funds, correcting the trend seen in the second half of 2009.

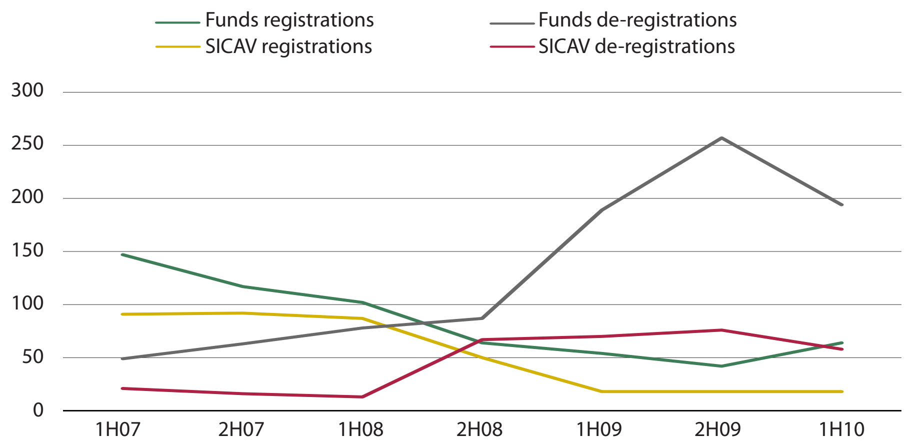
With regard to registrations and de-registrations in the CNMV, the number of registered UCITS fell by 1.8% compared with year-end 2009, and 5.4% compared with June 2009. As shown in figure 1, this means a slowdown in the fall in UCITS registered with the CNMV seen in the second half of 2009. The number of registered UCITS fell for all types of Spanish UCITS, except for hedge funds, which went from 25 in June 2009 to 31 in June 2010, as shown in table 1.

Registrations and de-registrations in the first half of 2010 TABLE 1

	Number of firms						
Type of firm	**Registered at 30/06/09**	**Registered at 31/12/09**	**Registrations**	**De-registrations**	**Registered at 30/06/10**	**Change (%) 2nd half 2009**	**Change (%) 1st half 2010**
Total financial UCITS	**6,167**	**5,892**	**80**	**248**	**5,724**	**-4.5**	**-2.9**
Mutual funds	2,808	2,593	59	188	2,464	-7.7	-5.0
Investment companies	3,294	3,232	17	54	3,195	-1.9	-1.1
Funds of hedge funds	40	38	0	4	34	-5.0	-10.5
Hedge funds	25	29	4	2	31	16.0	6.9
Total non-financial UCITS	**17**	**16**	**0**	**0**	**16**	**-5.9**	**-**
Real estate mutual funds	8	8	0	0	8	-	-
Real estate investment companies	9	8	0	0	8	-11.1	-
Foreign UCITS marketed in Spain	**555**	**582**	**73**	**19**	**636**	**4.9**	**9.3**
Foreign funds	309	324	49	8	365	4.9	12.7
Foreign companies	246	258	24	11	271	4.9	5.0
Total UCITS	**6,739**	**6,490**	**153**	**267**	**6,376**	**-3.7**	**-1.8**

Source: CNMV.

Registrations and de-registrations of Spanish UCITS in the CNMV FIGURE 1



Source: CNMV.

Unlike Spanish UCITS, the number of foreign UCITS marketed in Spain increased by 9.3% over the first half of 2010, almost double the rise in the second half of 2009 (see table 1). With this new increase, foreign UCITS now account for 10% of the total number of UCITS registered with the CNMV, one percentage point higher than at year-end 2009

As shown in table 2, the bulk of foreign UCITS marketed in Spain are domiciled in Luxembourg (with 45.3%), France (33%) and Ireland (10.8%).

Foreign UCITS marketed in Spain by country of origin TABLE 2

				Change 30/06/10 (%)		
Country of origin	30/06/2009	31/12/2009	30/06/2010	versus 30/06/09	versus 31/12/09	Distribution 30/06/2010 (%)
Austria	27	27	27	–	–	4.2
Belgium	5	5	5	–	–	0.8
France	163	178	210	28.8	18.0	33.0
Germany	16	17	20	25.0	17.6	3.1
Ireland	58	64	69	19.0	7.8	10.8
Luxembourg	270	275	288	6.7	4.7	45.3
Malta	1	1	1	–	–	0.2
Netherlands	1	1	1	–	–	0.2
UK	14	14	15	7.1	7.1	2.4
Total	**555**	**582**	**636**	**14.6**	**9.3**	**100.0**

Source: CNMV**.**

2.2 Trends

Taking as reference the data corresponding to the files of UCITS processed by the CNMV, we can highlight the following characteristics of the sector's development over the first half of 2010:

Conservative profile of new registrations

Operators continue to register new funds, mainly with a clear conservative profile (basically guaranteed investment funds and "Euro fixed income").

However, compared with the second half of 2009, there have been more, although still minoritary, mutual funds with greater value for unit-holders (such as "global" and "absolute return" funds).

Furthermore, in the policy renewals of already-registered mutual funds, we have seen a slightly less conservative profile, with the proportion of "equity" funds increasing (above all "international", with greater exposure to currency risks).

At any event, operators resist classifying the risk profile of the target investor as "high": They prefer to modify investment policies so as to downgrade the investor's risk profile rating rather than maintain the rating they had and show high risk profiles with the aim of retaining the unit-holder.

Similarly, in order to assess the guarantees, guaranteed funds present more traditional formulas (such as "point to point" or "Asian") rather than more complex ones (such as "digital").

For their part, the few hedge funds registered in the first half of 2010 tend to adopt less complex investment policies than those initially adopted by this type of UCITS, delimiting the risks which the investor assumes by means of an "absolute return" approach.

A noteworthy registration was that of a hedge fund with the objective of trading futures with different underlying assets and another which intended to invest its assets in vehicles which, in turn, invested in loans for leveraged buyouts, as an expression of the foreseeable growth in these transactions in times of economic crisis.

Slowdown in the number of mutual fund mergers

Mutual fund mergers continued over the first half of 2010, although the number of funds involved in merger projects fell significantly. This is partly a result of the completion of the restructuring plans for managed funds, and partly a result of the reduction in the average number of funds in each merger project file, once the most urgent mergers had taken place. Accordingly, although the number of funds involved in merger projects fell, that does not necessarily mean that the number of merger files must also fall.

The main reasons for mergers continues to be the need to rectify non-compliance with the minimum assets or the minimum number of unit-holders (rather than the alternative of liquidating the fund) and/or reasons of economic efficiency (rearranging the range of funds in the UCITS management company so as to avoid duplication).

Nevertheless, these mergers are expected to be reactivated in the near future as a consequence of the merger process ("cold" and "commercial") of savings banks which began at the end of the first half of 2010.

Rise in "mixed" mergers

There was a noteworthy trend to merge UCITS from different legal categories ("mixed mergers", as a vehicle for merging one or several SICAVs (open-end investment companies) with a previously existing fund or a fund registered *ad hoc*), partly as a response to the uncertainty of tax legislation applicable to SICAVs and as an alternative to transforming them into funds.

Ordinary and mixed mergers continue to be the main formula adopted by operators which lead to de-registrations of UCITS in the CNMV. Accordingly, of the total de-registration files submitted in the first half of 2010, 77% correspond to mergers with other UCITS, 19% to the liquidation of these UCITS, and 4% to transformations of SICAVs into ordinary public limited companies. Four funds of hedge funds and two hedge funds were de-registered as a result of liquidation.

Changes in management agreements

The reduction in operators' income as a result of the fall in managed assets has led to increased competition in the sector. Furthermore, the reduction in the return on the assets invested has made it necessary to review the cost structure of UCITS. This partly explains the increase in changes in management agreements and in registrations and revocations in asset management delegation which have taken place with regard to SICAVs.

In this regard, it should be pointed out that different operators have enquired at the same time about transferring the head office of Spanish SICAVs to Luxembourg (which would lead to de-registrations in the CNMV). However, it is understood that these enquiries are caused more by the different tax treatment than by changes in operators.

The number of SICAVs registered in the Basque Country has fallen from 92, at the start of January 2010, to 32 (and four of these are in the process of liquidation) at the end of June 2010, as a result of the withdrawal of the specific favourable tax treatment for these types of firms.

With regard to mutual funds, the revocations of the delegation agreements are partly implemented by internationalisation of the functions which were delegated as a result of not having sufficient resources and/or specialisation (for example, to invest in certain assets or geographical areas). Although this led to cost savings, it should be asked whether this internationalisation is a result of reconsidering the insufficiency of resources and/or specific knowledge, or the reduction of operations in assets and/or geographical areas for which management had initially been delegated.

Rise in cross-border activity

As mentioned above, there has been an increase in foreign funds registered in the CNMV for marketing in Spain.

The request for passports from Spanish funds has also increased (and is expected to continue increasing in the near future). In addition, one Spanish UCITS has filed the first "marketing contract" in order to operate in Ireland.

Both trends should be included in the geographical specialisation of management as one of the formulas for combating the current crisis in operators' profitability.

2.3 Outlook for the sector

Effects of the reorganisation of the savings bank sector

The process of reorganising the savings bank sector, mainly based on mergers, may in turn involve a reorganisation of the operators and depositaries of the mutual funds involved.

In principle, these mergers might lead to a change in the marketing conditions of mutual funds, in some cases restricting the marketing scope. This might in turn lead to a reduction in their assets and the need for them to merge or liquidate.

Similarly, there may be the opportunity for new merger plans between the mutual funds managed by savings banks which participate in commercial mergers or in so-called "cold" mergers. However, in the latter case, the merger of the funds will depend on the level of integration of the savings banks involved.

Furthermore, we can expect to see an increase in requests for authorisation of the change of depositaries resulting from the acquisition or commercial merger of savings banks which perform that function in the mutual fund.

Registration of products with greater added value

Although it is understandable that guaranteed funds and fixed-income funds account for most new registrations, it is expected that products with greater added value will gradually be introduced. These are able to attract new subscribers because of the new investment possibilities and generate higher fees (investment in emerging markets, absolute return products, etc.).

In this regard, we can expect to see the first applications for registration of compartments which receive the benefits, in terms of management efficiency, which may result from bringing together different investment policies in one single vehicle (although they may simply be differentiated, for example, by the management of exchange-rate risk).

Similarly, the creation of "classes" of units will accelerate and become more generalised. The first "classes" were registered in July 2009 and 29.4% more were registered in the first half of 2010 than in the second half of the previous year. In total, 90 "classes" were registered corresponding to 43 funds, registered by 13 operators (of which two accounted for 52.5%). Most of these funds registered two "classes", except for two funds which registered three "classes" and one which registered four "classes".

There is also expected to be an increase in registration applications for UCITS-ETF (including SICAVs following the latest legislative amendments) following in the wake of the foreign UCITS recently registered in the CNMV. In this regard, it is noteworthy that in the first half of 2010, foreign SICAVs-ETFs were admitted to trading on non-Spanish securities markets, while awaiting the legislative change which will allow SICAVs-ETFs to register on Spanish stock markets. Once this legislative amendment is enacted, these foreign SICAVs are expected to request permission to trade on Spanish markets.

Rise in cross-border activity

Within the framework of the aforementioned increase in competition among operators and the search for greater efficiency through cost reduction (by internationalising delegated functions, creating compartments, etc.) and/or the increase in managed assets (by optimising marketing channels, creating "classes", etc.), passport applications from Spanish operators are expected to increase.

Registrations of foreign UCITS are also expected to continue rising. According to estimates from Ahorro Corporación, these UCITS will account for a quarter of the asset management sector in Spain at year-end 2011.

Rise in geographical specialisation

The foreseeable rise in the marketing of products with greater added value within a context of growing cross-border activity will lead to an increase in geographical specialisation in asset management which makes it possible to optimise the return on investments in specific geographical areas, whether by delegating asset management for that purpose or by using "funds of funds". Figure 3 shows that "funds and fund companies" have been growing significantly for some years.

Funds of funds registered with the CNMV TABLE 3

	Mutual funds		SICAVs	
Year[1]	No. of funds	No. of operators	No. of SICAVs	No. of operators
2002			1	1
2003	8	3		
2004	5	4		
2005	9	4	4	4
2006	29	14	28	13
2007	44	24	55	19
2008	85	32	37	15
2009	42	19	16	12
2010[2]	97	28	53	18
Total	**319**	**70**	**194**	**42**

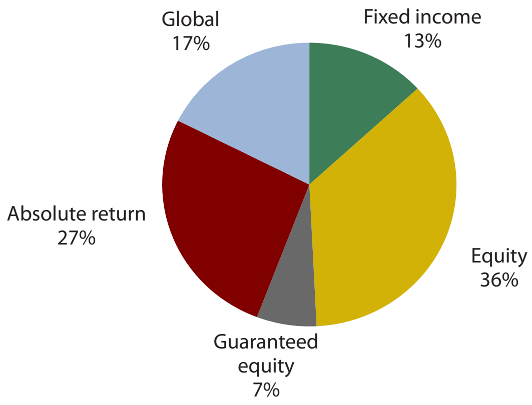
Source: CNMV.

1 Registration year of last prospectus.

2 UCITS registered before 30/06/10 but which were classified as "funds of funds" on 31/07/10.

There are currently 513 UCITS classified as "funds and fund companies", of which 194 are SICAVs with a "global" profile and 319 are mutual funds. The current distribution by profile of these funds is shown in figure 2. The predominant profiles are "equity" and "absolute return".

Distribution of funds of funds according to profile FIGURE 2



Source: CNMV.

It should be pointed out that one operator has made public its decision to "focus management on assets which include: Latin American, Spanish and European equity (of large companies), fixed income from the same regions and monetary products. The other investment areas will be covered by funds of other operators which stand out in one specific asset". This might have an impact on the nature of new funds which are registered, given that "these plans strengthen its multi-management team, the operator's area responsible for selecting the funds of other firms and managing the products which they invest therein".

3 Venture capital firms

3.1 Development over the half-year

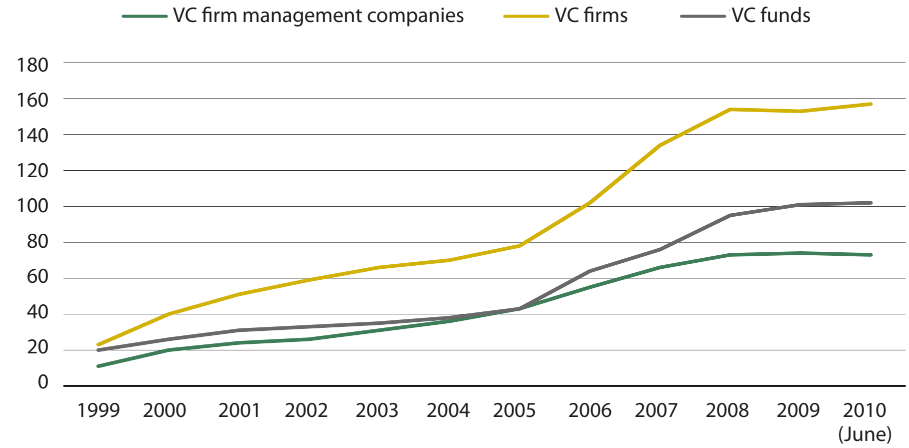
The total number of VCF registered as at 30 June 2010 stood at 332, four more than at year-end 2009. On the one hand, six new venture capital companies were registered and four new venture capital funds, practically the same as the number of registrations made in each of the half-years in 2009. On the other hand, there were five de-registrations, corresponding to two companies and three funds, compared with 11 de-registrations in 2009.

Registrations and de-registrations in the first half of 2010 TABLE 4

Type of firm	UCITS registered at 31/12/09	Registrations	De-registrations	UCITS registered at 30/06/10
Total VCF	328	10	6	332
Venture capital management companies	74	0	1	73
Venture capital firms	153	6	2	157
Venture capital funds	101	4	3	102

Source: CNMV.

Venture capital firms registered FIGURE 3



Source: CNMV.

As shown in table 4, no new venture capital firm management companies were registered. However, at least three new operators are expected to register in the next half year.

All the venture capital firms registered in the first half of 2010 have done so under the simplified regime, which, compared with the common regime, does not require presentation of a prospectus, thus leading to a reduction in the time period for authorisation.

With regard to the files processed, a significant aspect was the resolution of a greater number of dispensations for compliance with the ratios, in line with the trend recorded over the second half of 2009. This is largely explained by the difficulties in the sector to raise funds and materialise investments as a result of the financial and economic crisis and the significant increase in VCF registered between 2005 and 2007, as shown in figure 3.

It is important to remember that the new firms which have not managed to materialise investment projects have a period of three years from their registration to comply with the mandatory investment ratios. In one case, the dispensation request was rejected as the investment ratios were close to 20%, compared with the mandatory 60%.

3.2 Trends

Rise in investments in the venture capital sector.

According to the preliminary figures from the ASCRI (association of venture capital firms), investments in venture capital in Spain over the first half of 2010 amounted to 1091 million euros, an increase of 43% compared with the same period the previous year.

These new investments have mainly been made in "capital expansion" transactions, with "leveraged transactions" accounting for only 25% of the total invested.

The fall in “leveraged transactions” is due to the difficulty which venture capital firms have in obtaining funding for their acquisitions as a result of the conditions and guarantees required by financial institutions in granting loans. The current situation is significantly different from that between 2005 and 2008, when “leveraged transactions” by far exceeded 50% of the total invested by operators.

The funds raised have grown compared with the previous year, up to 1,110 million euros (361 million euros in the first half of 2009). This trend has also been seen in other European countries, as shown by the latest data from the EVCA (European Private Equity & Venture Capital Association), which show a 60% increase in venture capital funds obtained by European operators in the first four months of 2010 compared with the last quarter of 2009.

Concentration of investments by company type and sector

The new VCF registered with the CNMV in the first half of 2010 mainly invest in small and medium companies and in initial stages. No firms focusing on large transactions or leveraged transactions have registered.

In 40% of the cases, the investment policy focuses on the photovoltaic solar energy sector. With regard to the geographical distribution of investments, three out of every ten new projects are focused on investments in specific regions or districts, such as the Region of Madrid or the municipality of Gijón, while the rest have less geographical importance.

With regard to asset or capital increases in venture capital funds and companies respectively, 300 million euros were contributed within the framework of the Sustainable Economy Fund approved by the Government of Spain.

Funding difficulties

Another important aspect is the financial difficulties of various companies invested in both by venture capital funds and by funds not registered with the CNMV as a result of their high leverage levels.

In some cases, the high debt level has meant that creditor firms take shareholder control of some investee companies or that the banks which financed the acquisitions have required additional guarantees from venture capital firms so as to allow transactions to be refinanced.

Investment in non-financial listed companies

The first half of 2010 saw the registration of the first transaction in the Spanish market carried out under the provision contained in Section 2 of Act 25/2005, regulating venture capital firms and their management companies which establish, as their activity purpose, investment in the capital of non-financial companies which are listed in the first market of stock markets, providing said companies are excluded from listing within the first 12 months following acquisition of the holding.

3.3 Outlook

The outlook for the venture capital sector in the near future is marked by the uncertainty remaining in the international financial system and which can be broken down into the following aspects:

Investments will continue to be dependent on the economic outlook

Operators in the sector are keen to invest because of the significant liquidity existing in the market as a result of the funds obtained in previous years which have not yet been invested. However, venture capital firms have significant risk aversion in acquiring holdings because of the economic outlook for the coming months.

Greater divergences between purchase and sales prices

Transactions closed over 2010 will be characterised by debt levels which are noticeably lower than the transactions closed in 2006 and 2007, with venture capital investors providing a greater proportion of their own resources in the transactions which, under no circumstances, will be lower than 50%. This may lead to, *ceteris paribus*, a reduction in the financial return which would be obtained in the subsequent sale. Consequently, buyers will search for opportunities in transactions at notably lower prices than those paid in previous years.

The transferors of companies to VCF are not willing to carry out transactions at current prices (purchase multiples of around seven times EBITDA), which means that transactions are not closed due to price divergences between buyers and sellers.

Difficulties in disinvesting through the market

Seller funds are finding it difficult in markets to carry out public offers which allow divestment, with some sales being unsuccessful in recent months. It does not seem that this situation will improve over the rest of 2010.

Appearance of opportunistic funds

Finally, transactions may take place in companies in difficulties invested in by venture capital operators because of the entry of opportunistic funds. These funds acquire companies in difficulty at significant discounts and try to carry out operating and financing restructuring.

4 Investment firms, (excluding financial advisory firms)

4.1 Development over the half-year

As shown in table 5, the first half of 2010 was significantly more active than the previous half-year, with the number of registrations and de-registrations in this period greater than that in 2009 as a whole. As has become usual in recent years, there have been more de-registrations than registrations, although this pattern is not homogenous for the different types of firms, as shown in figure 4.

Registrations and de-registrations of investment firms in the first half of 2010

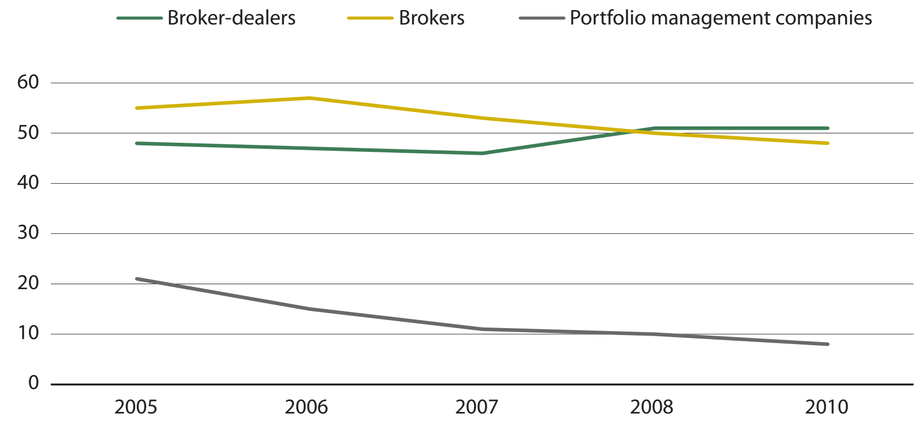
TABLE 5

		No. of firms at start	Registrations	De-registrations	No. of firms at end
2009 (full year)	Securities broker-dealers	51	0	1	50
	Securities brokers	50	4	4	50
	Portfolio management companies	10	0	1	9
	Total	**111**	**4**	**6**	**109**
2010 (first half)	Securities broker-dealers	50	2	1	51
	Securities brokers	50	5	7	48
	Portfolio management companies	9	0	1	8
	Total	**109**	**7**	**9**	**107**

Source: CNMV.

Number of securities brokers, securities broker-dealers and portfolio management companies registered

FIGURE 4



Source: CNMV.

Securities brokers are the type of firm most demanded by promoters interested in creating investment firms. This is mainly due to the fact that they contain independent professionals from financial institutions which were affected by the employment adjustments in that sector. Compared with broker-dealers, brokers have lower capital requirements and may carry out practically the same investment and auxiliary services for third parties as broker-dealers. However, many brokers are transforming into broker-dealers so as to obtain a higher status and to extend to other activities which include own account trading, or are being absorbed by UCITS management companies of the group to which they belong, as these firms are able to perform some of the activities allowed for brokers.

Three of the nine investment firm de-registrations in the first half of 2010 corresponded to firms focused on the private banking sector, which has been affected by the reduction in its business volume. Three cases corresponded to firms which were transformed into another type of investment firm or UCITS management company. Two firms de-registered as they integrated their businesses into other firms from the same group. Finally, one firm transferred the platform of its fixed-income markets to London.

The portfolio management company sector remains stable and seems to have reached a level of development in tune with market needs. The only movement recorded in this sector in the first half of 2010 was a de-registration as a result of a transformation into a UCITS management company so as to be able to offer its clients a wider investment service catalogue.

The number of foreign investment firms operating in Spain increased by 6%, continuing the growth seen in the previous year (when the number grew by 8%). There was an 11% rise in the number of firms which provide services by means of a permanent establishment or branch, compared with a 3% reduction in the previous year. However, free provision of services continues to account for most of these investment firms, as shown in table 6.

Aggregate number of foreign investment firms which provide investment services in Spain TABLE 6

	2009	2010 (June)
Under the free provision of services regime	1,910	2,021
By means of a branch	36	40
Total	**1,946**	**2,061**

Source: CNMV.

The countries with most presence, both in free provision and through branches, continue to be the United Kingdom, the Netherlands, France and Ireland. There is still a clear interest from Central European countries in the Spanish market.

The effect the MiFID had on increasing the number of passport requests seems to have dried up and the number of applications is returning to levels similar to those before the directive entered into force. Similarly, scarce use has been made of the legal status of "tied agent" (established in the investment firm's home country, in the host country – Spain - or in a third country) for providing investment services.

4.2 Trends

Impact of the economic crisis and market development

The fall in activity in markets has a significant negative influence on the sector's results. The difficult situation that markets have been undergoing since the start of the financial crisis has significantly affected recently created firms. Accordingly, most of the de-registrations of brokers in this period, which were not transformed into another type of investment firm, corresponded to firms authorised and registered with the CNMV in the period between February 2008 and February 2010.

One of the noteworthy characteristics of this first half-year, which is a direct consequence of the financial situation that Spanish investment firms are experiencing, is that 47% of the entries in the register of modifications of articles were related to capitalisation operations.

Effects of the restructuring of the financial sector

The restructuring of the financial sector is having a significant impact on investment firms. Accordingly, most firms which were de-registered in the first half of

2010 were invested in by financial institutions. Similarly, there was a change of control occurring as a result of the merger of several savings banks.

Swiss firms are modifying their manner of entering the Spanish market, substituting the establishment of new firms for the acquisition of holdings in firms which are already established. In some cases, these acquisitions are carried out through internal agreements with the aim of gradually increasing the holding.

Furthermore, in previous years, some domestic or foreign banking groups gradually abandoned the investment firm sector, transferring the business to other firms in their groups or, in the case of foreign firms, to the corresponding branch (which is sometimes called "branching").

Finally, insurance groups have not carried out any movements this year, as most of the de-registrations of investment firms in which they have an interest were carried out in 2009.

Business optimisation

Unlike previous years, in which investment firms modified their activity programme so as to adapt it to the new contents of the Securities Market Act (as a result of the incorporation of the MiFID to Spanish legislation) and added other services such as advisory services or preparation of investment reports, in the first half of 2010 very few firms extended their activity programme to incorporate new services. Accordingly, the main modifications were related to extending the instruments on which investment firms provide investment services so as to diversify the current business without significantly altering their cost structure.

Limited cross-border activity of Spanish investment firms

Spain continues to be an importer of Community passports: domestic investment firms have little representation at a European level, either in the free provision of services or by permanent establishment.

The provision of services through branches remained stable and there was moderate growth, similar to in previous years, in the issue of passports under free provision of services: 22 new passports were issued for eight investment firms, of which two are investment firms registered in the first half of 2010 (see table 7).

Number of Spanish investment firms with European passport TABLE 7

	2009	2010 (June)
Under free provision regime	37	36
By means of a branch	3	3
Total	**40**	**39**

Source: CNMV.

There are no changes in the preferred destinations of domestic investment firms for providing investment and auxiliary services contained in their activity programme: United Kingdom, Portugal, Germany and France.

4.3 Outlook

Domestic investment firms

Considering the planned projects, authorisations granted and de-registrations expected, there are not expected to be any changes in the downward trend of recent years in the number of investment firms. Brokers continue to account for the greatest number of registrations and de-registrations

The provision of services outside Spain continues to be fairly insignificant and no changes are expected in this trend. However, internal movements are expected to continue in investment firm groups to transfer the activity of the investment firm to another group firm able to provide investment services, mainly UCITS management companies, and to transform into firms with greater operating capacity within the sector.

It is likely that in the second half of 2010, the restructuring processes in savings banks will affect shareholders and, in turn, the business of domestic investment firms. There are currently 15 investment firms in which domestic savings banks have an interest.

Foreign investment firms

The number of registered foreign investment firms from countries belonging to the European Economic Area (EEA) has maintained an upward trend in recent years, which was especially intense in the years following the entry into force of the MiFID. However, growth is expected to be more moderate in 2010 and the following years.

The United Kingdom, followed by the Netherlands, France and Ireland continue to be the countries with most interest in our market and no changes are expected in this regard.

Foreign investment firms will continue to provide investment services in Spain mainly under the free provision of services regime. The figure of "tied agent", both in the home country and the host country, does not yet seem to be prominent for foreign or domestic investment firms.

5 Financial advisory companies

5.1 Development over the half-year

Up to 30 June 2010, 132 applications were filed to set up as financial advisory firms, of which 43 correspond to natural persons and 89 to legal persons.

Of the total number of applications, 109 were filed in 2009 and 23 in 2010. Although it seems that the number of applications filed has fallen significantly, it is important to bear in mind the high concentration of applications (40) before 17 February 2009, the end of the transitory period established in Royal Decree 217/2008.[2]

2 Of 15 February, on the legal regime of investment firms and other institutions which provide investment

Of the 132 applications filed to set up as financial advisory firms, 75 have been ruled on. Of these, 61% of the cases received a positive ruling with authorisation to provide the service. The rest of the applications were rejected (23%) or considered renounced by the interested party (16%).

The rejections were due to non-compliance with the requirements for setting up as an investment firm or considering that the interested party had renounced processing of the file because they failed to respond to the information requirements of the CNMV.

The most common reasons for the rejections for not meeting the requirements for setting up as an investment firm were (i) lack of suitable knowledge and experience of the directors, (ii) the existence of conflicts of interest as the candidate was an agent of a financial institution, and (iii) lack of transparency in the structure of the group to which, as the case may be, the firm belongs. On the one hand, this could lead to the existence of serious difficulties for inspection and on the other hand, the possibility that the firm may be inappropriately exposed to the risk of the non-financial activities of its promoters.

5.2 Outlook

The number of applications for registration of financial advisory firms could increase considerably depending on the development and consolidation of the figure of the adviser within the financial sector.

No de-registrations are expected, although some firms show their concern about the future of the figure of financial adviser, its economic viability and acceptance by clients. In this regard, it should be indicated that some authorised firms, prior to their registration as financial adviser firms, had agency relationships with credit institutions or investment firms. This relationship must be cancelled prior to registration of the financial advisory firm (since being a financial advisory firm is incompatible with being an agent). Therefore, depending on the economic viability and the acceptance of financial advisers by clients, they may request such de-registration as investment firms and return to their previous condition as agent.

6 UCITS management companies

6.1 Development over the half-year

As of 30 June 2010, 124 domestic UCITS management companies were registered with the CNMV, four more than at year-end 2009. As shown in figure 5, following almost three years of stagnation, the number of UCITS management companies registered with the CNMV recovered the upward trend which began in 2005.

services, partially amending the Regulation of Act 35/2003, of 4 November, on UCITS, approved by Royal Decree 1309/2005, of 4 November.

Registrations and de-registrations of UCITS management companies in the first half of 2010

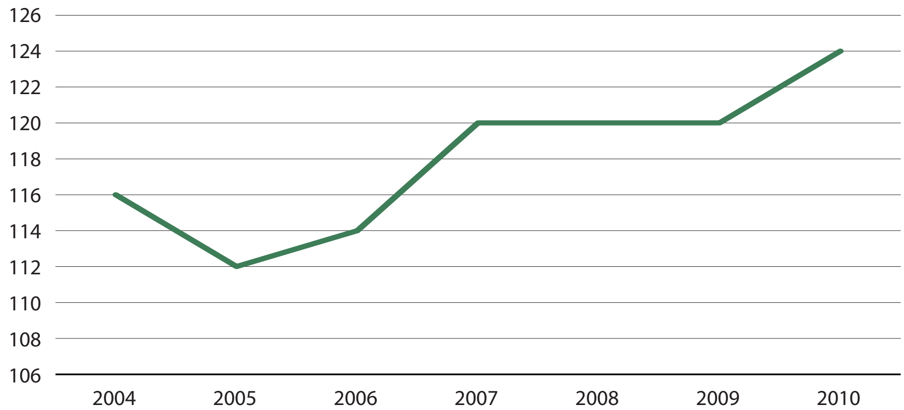
TABLE 8

	No. of firms at start	Registrations	De-registrations	No. of firms at end
2009	120	2	2	120
2010 (June)	120	4	0	124

Source: CNMV.

Number of registered UCITS management companies

FIGURE 5



Source: CNMV.

With regard to cross-border activities, seven Spanish UCITS management companies communicated free provision of services in Portugal, Luxembourg, France, Ireland, Belgium and the United States in the first half of 2010. Bearing in mind that three of these already provided services in third countries, the aggregate number of Spanish UCITS management companies which provided services outside Spain as of 30 June 2010 stood at 32 (see table 9).

Number of UCITS management companies which provide services outside Spain

TABLE 9

	2009	2010 (June)
Under free provision regime	28	32
By means of a branch	0	0
Total	**28**	**32**

Source: CNMV.

According to the aggregate number of passports issued by host country, as of 30 June 2010, these have almost always been (89% of the cases) from the EEA, and of these the host country of most Spanish UCITS management companies was Luxembourg (22), followed by Ireland (11), Portugal (6) and the United Kingdom (4). The countries not belonging to the EEA in which four Spanish UCITS management companies provide services are: Andorra, South Korea, British Virgin Islands, Switzerland, Cayman Islands and the United States.

In the first half of 2010, the number of registered foreign UCITS management companies which provide services in Spain rose by eight, following the registration of eight firms from France and one from Germany, and the deregistration of one firm from France. Of the 35 firms registered, 20 are from France, 8 from Luxembourg, 3 from Belgium and the 4 remaining are from Sweden, the United Kingdom, Norway and Germany.

Finally, in the first half of 2010, ten activity program extensions were registered, as broken down in table 10.

Extension of activities programme TABLE 10

	2009	2010 (June)
Management of mutual funds and SICAV	2	1
Hedge fund management	2	3
Portfolio management and/or advisory services	6	3
Marketing	6	2
Venture capital management	1	1

Source: CNMV.

6.2 Outlook

Expected registrations and de-registrations

In the coming months, it is expected that the CNMV will process files resulting from the attempts of registered firms to adapt to the latest new legislation or as a response to expectations of the development of the real estate market.

In this regard, it is expected that in the coming months the CNMV will process files establishing UCITS management companies of domestic and foreign firms specialising in managing real estate assets.

Similarly, it is worth pointing out the transformation of eight brokers into UCITS management companies so as to assume, in addition to managing SICAVs, the management of mutual funds, and it cannot be ruled out that for the same reason other investment firms may also be converted into UCITS management companies.

Effect of the restructuring of the savings bank sector

As mentioned in the sections on UCITS and investment firms, the restructuring process currently taking place in the savings bank sector in Spain, through the commercial or "cold" merger of several banks, has led to a change in control of some UCITS management companies. This process is expected to continue in the short to medium term among 7 of the 24 UCITS management companies in which savings banks have an interest. The calendar for restructuring the UCITS management companies will mainly depend on the maturity of the integration processes of the commercial or "cold" mergers initiated by the different savings bank.

Delegation of functions

CNMV circular 6/09, on internal control of UCITS management companies and investment firms, establishes that UCITS management companies must have units which guarantee compliance with risk management functions, legislative compliance and internal auditing. These functions may be delegated providing certain requirements are met. The UCITS management companies have until 31 December 2010 to adapt their organisational structure to the provisions of CNMV Circular 6/09.

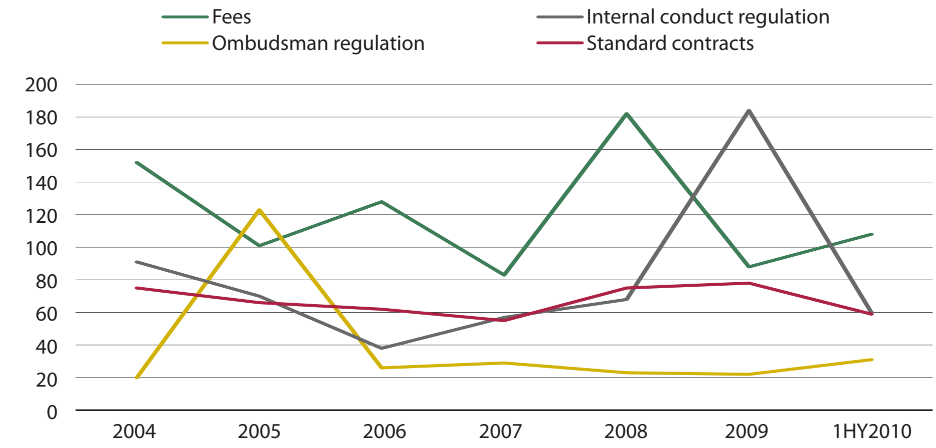
As a result of the above, several UCITS management companies have declared their intention to delegate some of the aforementioned functions to external suppliers or departments or firms in the group to which they belong. Many more firms are expected to choose this option. Therefore, certain activity is expected in this area over the coming months for UCITS management companies.

7 Documents required for the rules of conduct

7.1 Development over the half-year

As is usual, the files relating to communicating fees accounted for a substantial part of the registration activity of documents required for rules of conduct. Compared with the second half of 2009, there was a fall in the registration of internal conduct regulations, which rose in the previous year mainly due to the establishment of financial advisory firms (see figure 6).

Files relating to documents required for rules of conduct FIGURE 6



Source: CNMV.

7.2 Trends

Internal Conduct Regulation

INVERCO's model for internal conduct regulations was finalised in the first half of 2010, and UCITS management companies began to send communications declaring their affiliation to the model.

Standard contracts

Order EHA/ 1665/2010[3] eliminated prior control of standard contracts by the CNMV. Consequently, since its entry into force on 24 June, the CNMV no longer processes files relating to standard contracts.

Documents relating to fees

There has been a significant increase as many credit institutions have filed upward modifications in some items of their fees, especially those relating to brokerage.

Similarly, the aforementioned Order EHA/1665/2010 gives authority to the CNMV to revise and register the fees corresponding to transactions in the Book-Entry Public Debt Market by investment firms and credit institutions. Having coordinated with the Bank of Spain the actions necessary to implement the provisions contained in the Order, on 26 July, the Bank of Spain registers in this matter were transferred and incorporated into the CNMV's public registers on 2 August.

7.3 Outlook

Order EHA/1995/2100, of 11 June, gives authority to the CNMV to establish the fee prospectus.

The first draft Circular is currently being prepared in order to comply with the objective of filing prospectuses electronically, improving the formulation of expenses and commissions which institutions apply to their clients' different transactions, and making it easier for investors to make comparisons.

This processing procedure will undoubtedly speed up the resolution of files on fee prospectuses. However, at first, once the Circular is published, the number of prospectuses filed will increase as all companies must send their fee prospectuses electronically.

8 Conclusions

In the first half of 2010, the assets of mutual funds in Spain fell by 9.25% compared with year-end 2009. With regard to the nature of the products registered with the CNMV, there is still a high proportion of conservative management products despite the fact that their relative importance fell slightly compared with previous periods.

Furthermore, the number of fund mergers fell, mainly because the portfolio restructuring plans of some operators have been completed. However, the number of mergers between SICAVs and the so-called "mixed mergers" (between mutual funds and SICAVs) increased. The main reason for these mergers continues to be to achieve greater asset volumes and higher numbers of unit holders in the resulting funds so as to exceed the minimums required by law.

3 Order EHA/ 1665/2010, of 11 June, implementing Articles 71 and 76 of Royal Decree 217/2008, of 15 February, on the legal regime of investment firms and other institutions which provide investment services relating to fees and standard contracts (official state gazette 23 June).

In the medium term, the number of mergers between UCITS is expected to increase, as in turn the mergers of savings banks increase. It is also expected that the number of mutual funds with "classes" will increase as a result of the segmentation of marketing by client type and that there will be greater geographical specialisation in the management of UCITS, whether by delegating the management to local operators or, which might be more common, greater use of "funds of funds".

Similarly, it should be pointed out that over the first half of 2010, the number of foreign UCITS registered for marketing in Spain increased significantly, with a high number of new ETFs registered. There was a significant reduction in the number of SICAVs registered in the Basque Country as a result of the withdrawal of the specific favourable tax treatment for this type of firm.

Despite the significant reduction in the volume of assets managed, the number of UCITS management companies increased since 2005 up to 124 registered with the CNMV as at 30 June 2010. The latest registration applications from UCITS management companies mainly respond to regulatory issues, such as the restructuring of the activities in groups of financial institutions or the creation of UCITS management companies so as to separate the business of the SICAVs or of the hedge funds. The concentration process is expected to accelerate over the short-term if, as a result of the crisis in the sector, the volume of managed assets does not recover. Similarly, the concentration process of savings banks is also expected to affect the sector of UCITS management companies as a whole, and may lead to a high number of deregistrations and/or mergers.

The venture capital sector shows signs of recovery as in Spain this type of investment rose by 43% in the first half of 2010 compared with the same period of 2009. The investment target of the new venture capital firms registered is generally small and medium companies, with a strong presence in the photovoltaic energy sector and less focus on leveraged transactions than in previous years. The number of transactions is expected to increase over the short term given the improvement in liquidity conditions in the sector.

There are no changes in the downward trend in the number of investment firms registered with the CNMV over recent years. Mergers between investment firms, as well as mergers by savings banks, may accelerate the current reduction in the number of investment firms. Furthermore, the financial crisis, which has led to the removal of a significant number of professionals from the largest institutions and, in particular, the specific crisis of the private banking and institutional client segment means that there is a high number of projects for new firms (especially brokers) put forward by independent persons, not linked to financial groups. In this regard, the new regulation applicable to investment firms has made it possible to establish brokers with lower capital requirements providing they limit their activity to investment services consisting of receiving and transmitting client orders, without holding funds or financial instruments which belong to their clients. There is currently only one firm registered with capital below 300,000 euros.

Passport applications by Spanish investment firms are very low compared to foreign investment firms which are the equivalent size and which have communicated their activities in Spain. The United Kingdom, the Netherlands, France and Ireland are the countries which have most presence in Spain and they normally use the free provision of services regime.

With regard to financial advisory firms, up to 30 June 2010, 132 registration applications for new firms were filed, of which 35% were accepted, 9% were rejected, in 13% of the cases the applications were considered withdrawn, and the rest were still being processed on the report date. Therefore, the forecasts made by several professional associations of a high number of applications for registration with the CNMV by financial advisory firms have not been confirmed.

Implementation of the Prospectus Directive: Verification practices in the European Union

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1 Introduction

Financial markets have undergone a profound transformation over the last twenty years, driven by liberalisation of capital movements and technological innovation. The internationalisation of markets and the progressive disappearance of barriers between sectors in the financial system have made it clear that there is a need to provide incentives for good corporate and supervisory practices because of their positive effects on investor confidence and the stability of the financial system as a whole.

Within the European Union (EU), this need was taken on board at the start of this century through the Financial Services Action Plan (FSAP), which covered a wide range of measures aimed at promoting a single market for financial services. This led to the directives promulgated to regulate the single market in securities and financial instruments. The most important are Directive 2003/71/EC, of 4 November 2003, on the prospectus to be published when securities are offered to the public or admitted to trading (Prospectus Directive), Directive 2004/39/EC, of 21 April 2004, on Markets in Financial Instruments (MiFID), Directive 2004/109/EC, of 15 December 2004, on the harmonisation of transparency requirements in relation to information on issuers whose securities are admitted to trading on a regulated market (Transparency Directive), and Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies (Shareholders' Rights Directive).

The new current of legislation which inspires these directives has two basic points of reference: protecting investors and increasing the transparency of information. With these objectives, the new directives have led to an extension of the scope of investor protection, especially for retail investors, through new rules on the information of issuers in primary and secondary markets, transparency in trading on secondary markets and rules of conduct for intermediaries on executing orders (better execution principle) and matching marketing and advisory services for financial instruments with the characteristics of each client.

This article focuses on the Prospectus Directive, a fundamental piece in the European regulation of financial markets. It deals with the information which must be disclosed to the market by issuers or, more generally, disclosed by offerors of securities in marketing processes (issues and public offers of securities). The information which must be published is included in the prospectus, the structure and content of which are established in the Directive and in Regulation 809/2004 of the European Commission, of 29 April 2004, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses, as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertising (Prospectus Regulation). The harmonisation of prospectuses facilitates the application of the regime for mutual recognition in this area by the Member States. This has made it possible to establish an authentic Community passport for security issuers and offerors which adapts their issue and marketing processes to the conditions established by this Directive. In this manner, the Directive has not only introduced a solid common element of investor protection in European primary markets, but it has also contributed to their greater integration, thus making it easier for companies to raise capital beyond national borders.

Nevertheless, efficient functioning of the Community passport system requires a high level of convergence in the processes for reviewing the prospectuses carried out by the different competent European authorities.

Furthermore, the Directive aims to achieve greater homogenisation of the prospectuses so that the high level of comparability between the different alternatives allows investors to make duly informed investment decisions. The existence of certain differences relating to the control methods for the information contained in the prospectuses may harm this objective as it limits the comparability of prospectuses.

These differences can be eliminated by harmonising the practices which the different competent authorities carry out during the process of checking the prospectus so as to guarantee that the information provided to the holders of securities is sufficient and as objective as possible, irrespective of the home Member State where the prospectus has been registered. In this context, this article analyses the Community passport system and reviews the main controls carried out in the different countries in the process of verifying the prospectuses.

The rest of the article is structured as follows: Section 2 analyses the characteristics which the prospectuses must have and explains the Community passport system. Section 3 describes the number of prospectuses approved and passported by the different competent authorities in the European Union in 2009. Section 4 presents the main harmonised measures which, through CESR, have been carried out following implementation of the Prospectus Directive. Section 5 describes the different controls used in the process for verifying the prospectuses, and finally, Section 6 brings together the main conclusions.

2 Characteristics of the prospectus and Community passport in the Prospectus Directive

The investor protection system in the primary securities market is based on two principles: on the one hand, full disclosure and, on the other hand, control of the information provided by issuers by means of a verification and registration system by supervisors, which must ensure that sufficient information is made available to investors. In other words, the prospectus must not only positively include the legal relationship between the issuer/offeror and the subscriber/acquirer, but it must also do it negatively, as the issuer/offeror may not object to anything which does not specifically appear therein.

The most important function of the prospectus is to inform the investor, meeting the function of including the conditions of the legal business to be carried out. Another function of the prospectus relates to summarising and standardising information, which should lead to rationalisation and simplification of the information contained therein.

Information transparency is one of the main protection methods currently offered to investors. In the full transparency system established by the Securities Market Act 24/1988, of 28 July, the prospectus has a special protective nature given that it is an instrument which publicises issues and public offerings or rights offerings. Publication of accurate, complete and timely information about the issuers of securities encourages ongoing confidence and allows an informed assessment of their return and assets, thus improving investor protection and increasing transparency.

The Prospectus Directive has led to a far-reaching change in the functioning and organisation of securities markets in the European Union as it aims to achieve a higher level of homogenisation for the prospectuses relating to public offers and admissions to trading of securities on regulated markets as indispensable for ensuring the effectiveness of the prospectus's Community passport and to obtain an integrated and highly competitive market without undermining the legal security necessary to guarantee the confidence of market participants.

The aim of the Directive is that the information contained in the prospectus allows investors to make duly informed decisions as this information must adequately reflect all the issuer's relevant circumstances and the rights attaching to the securities. In this regard, the information has to be sufficient and objective and must be presented in a manner that can be easily analysed and understood. The information must provide the same protection for all investors throughout the European Union, irrespective of their nationality and the place in which they adopt the corresponding investment decisions.

The Prospectus Directive establishes that companies, both those registered in the EU and in third countries, which have a prospectus authorised by the competent authority of an EU country (home Member State) may offer the public of other countries in the EU all types of securities and request their admission to trading on any regulated European market.

Consequently, with one single authorisation, the financial instruments referred to in the prospectus may be marketed throughout the EU. Once it has received the corresponding passport from the relevant authority in the home Member State, the supervisor of the host Member State (where the securities are offered and/or marketed or where the markets are located) shall not submit the prospectus to a new approval procedure (or a supplementary one), as provided for in Article 17 of the aforementioned Directive.

It is important to point out that the Prospectus Directive provides for harmonisation with regard to information requirements so as to prevent harmful practices which limit competition under equal conditions and to ensure good functioning of the prospectus passport system. In fact, this passport system can only be understood and sustained on the basis of full harmonisation, not only of the legislation of EU countries regarding public offers and admissions to trading, but also in the practices which the different corresponding authorities carry out when approving prospectus uses.

3 Data about prospectuses approved and passported by the competent authorities

Article 2.1 (m) of the Prospectus Directive provides that issuers can choose the authority to approve the prospectus for certain types of securities (basically, debt with a nominal value over 1,000 euros and derivatives). Although in principle it could be thought that the practical importance of this possibility is not especially significant (as a certain time has passed since the implementation of the Directive, which, as mentioned above, aims to be a Directive of full harmonisation), available evidence suggests that the distribution in the number of prospectuses approved in each country is not always in line with the size of their economy or their financial sector.

Table 1 contains data relating to the number of prospectuses approved, as well as the prospectuses passported, sent and received, by each of the member countries of the EU in 2009. From this data, we can deduce that almost 70% of the prospectuses registered in the EU in that year were approved by five countries. These include important countries within the EU in economic and demographic terms, such as the United Kingdom, Italy and Germany, together with other countries which are much smaller, such as Ireland and Luxembourg, which approved a number of passports significantly higher than certain countries which could be supposed to have a larger financial market, such as France or Spain.

Number of prospectuses approved and passported in the EU in 2009 TABLE 1

	Approved	Passported (sent)	Passported (received)
Austria	90	24	295
Belgium	42	11	167
Bulgaria	39	0	2
Cyprus	9	1	10
Czech Republic	23	0	40
Denmark	38	7	105
Estonia	0	0	14
Finland	49	2	104
France	222	45	235
Germany	442	316	417
Greece	24	0	26
Hungary	37	0	17
Iceland	14	3	1
Ireland	680	221	195
Italy	705	0	164
Latvia	4	0	7
Lithuania	13	3	5
Luxembourg	668	256	324
Malta	10	0	26
Netherlands	117	59	242
Norway	169	7	292
Poland	33	0	20
Portugal	20	0	99
Rumania	15	0	24
Slovakia	42	0	17
Slovenia	8	0	14
Spain	359	3	159
Sweden	178	18	109
UK	852	354	541
Total	**4,902**	**1,330**	**3,671**

Source: CNMV using data included in *CESR data on prospectuses approved and passported - January 2009 to June 2009* (CESR, 2009) and *Data on Prospectuses approved and passported in the EU from July 2009 to December 2009* (CESR, 2010a).

In particular, we can highlight the following points from the list of prospectuses approved and passported in 2009, as shown in Table 1:

- 90% of the prospectuses passported were notified from the United Kingdom, Germany, Luxembourg, Ireland and the Netherlands.

- Italy, Spain and France recorded a considerable number of prospectuses, but very few are passported, These countries are net receivers of passports, receiving a number of passported prospectuses much higher than the number of prospectuses which they passport.

- The United Kingdom and Germany are countries which register a considerable number of prospectuses and also issue and receive many passports.

- Ireland and Luxembourg are net issuers of passports, which may reflect that issuers from third countries which are not members of the EU choose the authorities of these two countries to approve their offers and admissions to trading in the EU. It may also reflect that a significant number of issuers from different countries in the EU make use of the aforementioned freedom to choose the authority and choose these countries instead of the country where these companies or the head office of the issuing companies are registered and domiciled.

4 Implementation of the Prospectus Directive: Harmonising measures

With regard to the transposition of the Prospectus Directive, the *Report on the supervisory functioning of the Prospectus Directive and Regulation* (CESR, 2007a) confirmed certain satisfaction among the different participants in the market with regard to the implementation of the Directive in the different European countries. However, said report identifies the existence of certain diverging practices by the authorities in the different Member States which need to be addressed. These diverging practices derive from the different interpretations which the different national authorities make of certain provisions contained both in this Directive and in its implementing regulation (Prospectus Regulation).

The truth is that the Prospectus Directive is a maximum harmonisation directive. Therefore its application throughout the EU must obey homogenous guidelines for actions and/or implementation. In this regard, it should be pointed out that the Stockholm Resolution, approved by the European Council on 23 March 2001 established that, "…The Committee of European Securities Regulators should also play an important role in the transposition process by securing more effective cooperation between supervisory authorities, carrying out peer reviews and promoting best practices…".

With this aim, CESR has carried out intensive coordination and harmonisation work since the approval of the Prospectus Directive and Regulation. The main milestones have been the preparation of the document entitled *CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No. 809/2004* (CESR, 2004), which includes a series of recommendations for clarifying certain provisions which the Prospectus Regulation contains with regard to some types of prospectuses and, in addition, constant updating of the *Frequently asked questions regarding Prospectuses: Common positions agreed by CESR Members* (CESR, 2010b), which is currently prepared by the CESR's Corporate Finance Standing Committee and which aims to offer answers agreed by all the competent authorities to the questions which arise in applying the legislation on prospectuses.

Similarly, it should be pointed out that CESR has achieved cooperation agreements which include facilitating the functioning of the passport system so as to coordinate its notification procedures, establishing a communication procedure, standardising the approval certificate, and compiling the requirements for translating the prospectus summary in each competent authority.

In 2007, the Review Panel, a permanent CESR group with the mission to review implementation of European legislation in difference countries, prepared a report on the transposition of the Prospectus Directive, *Report on CESR Members' powers under the Prospectus Directive and its implementing measures* (CESR, 2007b), which included the responses of all the members to a questionnaire regarding the nature and scope of the powers of the different corresponding authorities with regard to the Prospectus Directive and its implementing measures.

Following their first exercise, the CESR plenary meeting held on 12 May 2009 agreed the creation of a Review Panel subgroup which would first analyse implementation of the Prospectus Directive in the different Member States and the practices carried out in each competent authority so as to subsequently identify "good practices" which can be established as a benchmark for the different national authorities in the immediate future.

The first part of this work, corresponding to analysing the implementation of the Directive and supervision practices, was carried out over the final months of 2009 and involved preparing and sending out an extensive questionnaire to be answered by each competent authority. The aim of this exercise was to obtain an overview of the Member States' practices with regard to these three areas referred to in the mandate:

- the internal process to approve prospectus documents,
- availability of the prospectus documents once approved and
- Member States' use of the authorisation for the omission of information.

Having completed the exercise, the CESR published a summary of the responses which the different Member States issued with regard to the practices and controls carried out in each one of the competent authorities, entitled *Executive summary of the Report Prospectus Directive Selective Mapping* (CESR, 2010c). The analysis of these responses made it clear that the supervisory authorities of the different Member States must intensify their efforts to achieve greater homogenisation of the supervision practices for prospectuses.

5 Existing practices in the different competent authorities

The internal process for approving a prospectus document begins with the application made by the interested party to the competent authority for beginning the administrative process up to the transmission of the approval decision on the file in question. It includes the internal organisation of the department responsible for supervising prospectuses and its review and approval of the prospectus.

The controls which the competent authorities must carry out in the prospectus review process can be grouped according to their different purposes, including the following:

- ensuring that the comments made on the different prospectus drafts are accurate and comprehensive;
- ensuring the prospectus is complete;
- ensuring the consistency of the information included in the prospectus;
- ensuring the comprehensibility of the information included in the prospectus;
- ensuring that the prospectus contains all the information to enable investors to make an informed decision;
- ensuring there is sufficient financial information;
- and ensuring the usefulness of the summary.

The main practices implemented in the different competent authorities with regard to reviewing and checking prospectus documents according to the above reasoning for the different types of controls are shown below.

Controls aimed at ensuring that the comments provided on the prospectus are accurate and comprehensive

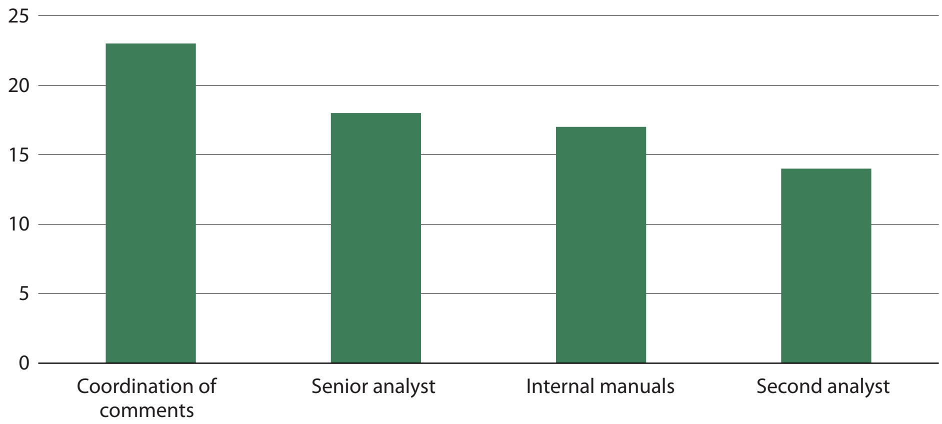
If the competent authority is able to pass on to the interested party comments on the different versions of the prospectus which are sufficiently clear and comprehensive, the file can be processed faster, ensuring that the process results in a more comprehensible, consistent and comprehensive prospectus. In this regard, it should be remembered that one of the main aims of the Prospectus Directive is to increase the efficiency of European financial markets. Therefore, the speed of the prospectus verification process, without undermining investor protection, is extremely important.

The practices which are most mentioned by the authorities in this regard are: the guides, instructions and manuals, whether internal or made available to external interested parties, the coordination of comments between analysts, the review of the files by more than one analyst (four eyes principle) and the existence of databases with precedents. However, there is a certain disparity in the implementation by the different supervisors as some of those practices are not very widespread. This is of special concern when considering the existing diversity of items as these controls take on greater importance as the type of issuers, the financial products offered and the investors they are offered to become less homogenous (see figure 1).

Spain, in order to speed up the prospectus review process, while still subjecting them to extensive scrutiny, has promoted the coordination of actions between the different analysts through the use of manuals and guides, databases and meetings. Similarly, each file is normally reviewed by a second analyst with a greater level of experience. This is done with the aim of achieving a high level of coordination between the different analysts, which in turn facilitates the prospectus review process.

Controls on the comments provided on prospectus drafts FIGURE 1

Number of countries which apply a specific control (out of a total of 29 countries)



Source: *Executive summary of the Report Prospectus Directive Selective Mapping* (CESR, 2010c).

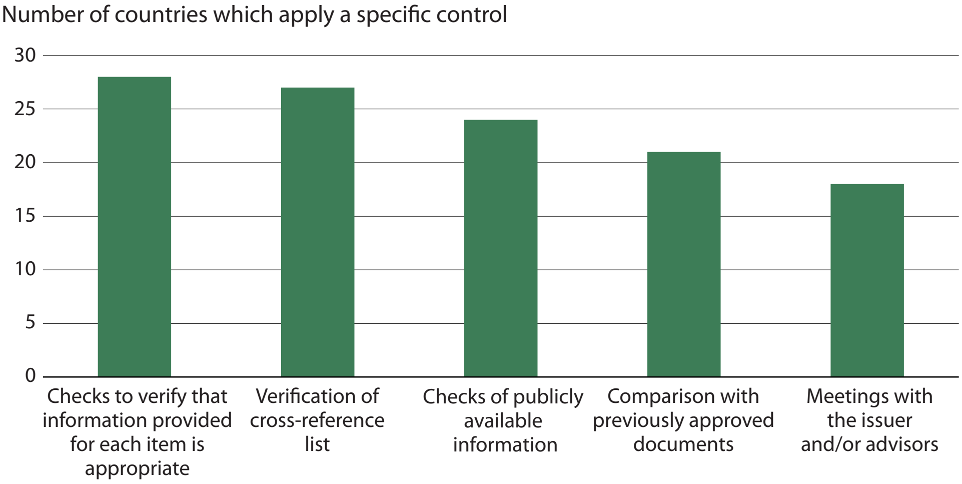
Controls aimed at ensuring that the prospectus is complete

Article 2.1 (q) of the Prospectus Directive defines prospectus approval as "the positive act at the outcome of the scrutiny of the completeness of the prospectus by the home Member State's competent authority including the consistency of the information given and its comprehensibility". This Directive establishes that if the competent authority considers that the documents presented are incomplete or require supplementary information, the time limits regarding prospectus approval mentioned in Sections 2 and 3 of Article 13 of the Prospectus Directive will only apply from the date on which said information is provided by the issuer, the offeror or the person asking for admission to trading on a regulated market.

The analyst's review must place special emphasis on ensuring that the prospectus includes all the information required by the Prospectus Directive and, more specifically, by the Regulation, and that the interested party is informed as soon as possible of any lack and/or comment detected relating to the file.

There is a certain level of convergence between the different national authorities with regard to the type of controls as it is assumed that they do not only refer to formal controls or those aimed at checking that the prospectus does not omit any of the information required by the different annexes of the Prospectus Regulation, but that they also apply to material controls so as to verify that the information contained is also appropriate (see figure 2).

Controls over prospectus completeness FIGURE 2



Source: Executive summary of the Report Prospectus Directive Selective Mapping (CESR, 2010c).

Controls aimed at ensuring the consistency of the information included in the prospectus

This is the most controversial point among the different national authorities as it determines the scope and perimeter which the prospectus review must cover, and there are many different positions on the subject. The requirements of consistency or coherence of the prospectus are also expressly mentioned in Article 2.1 (q) of the Prospectus Directive.

The problem in this area arises from the lack of specifics in the Prospectus Directive, which does not mention whether it refers to the internal consistency of the prospectus, that is, between the different parts of the prospectus or whether, on the other hand, the focus must be wider so as to include the consistency of the information contained in the prospectus with other information relating to the issuer, offeror or person asking for admission to trading and, basically, with that sent by the issuer to the supervisory authority arising from the obligations related both to compliance with the Transparency Directive and with the Market Abuse Directive, providing the information is relevant and connected with the file in question. The failure of the Prospectus Directive to give a clear definition has led to divergent interpretations.

Although figure 3 appears to reveal a certain consensus relating to the need to compare the information contained in the prospectus with other information from the issuer, the information contained in table 2 shows that there are differences relating to the frequency and/or intensity of these controls, as a considerable number of competent authorities do not systematically carry out this type of control.

In this area, the CNMV is among the group of national supervisory authorities which carry out a more detailed review of the prospectuses.

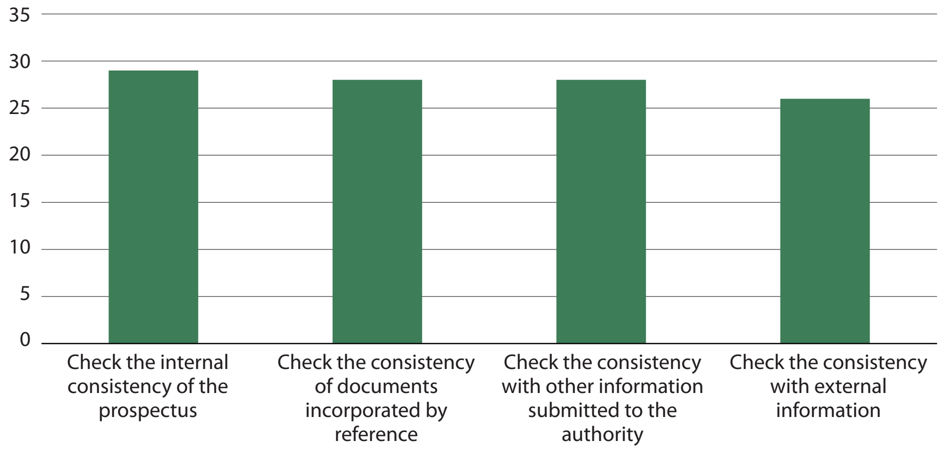
Another important aspect of the supervision regarding the control of consistency is that which refers to whether this review also covers the final terms of the issues. Most issues are performed with a base prospectus, an issue program in force for one year. The base prospectus is registered in the competent authority of the home Member State in the same way as a prospectus relating to a single issue or admission would be registered. However, it contains one specific difference in that the specific terms of each issue, included in a document titled "Final Terms", must be registered in said authority for each one of the issues to be carried out.

Therefore, the base prospectus is approved following the same process as for any other prospectus, but the final terms which form part of the base prospectus are not approved, they are only registered. There is no consensus regarding the requirement to verify in the absence of the obligation to approve. This means that in issues authorised in certain European countries, no controls are carried out on the consistency of the information contained in the final terms with regard to the content of the base prospectuses or their comprehensibility. The supervisory authority simply carries out an administrative act to register the document filed by the issuer.

Some countries, including Spain, have understood that verification of the consistency of the information contained in the base prospectus must also be carried out with regard to any other relevant information available to the supervisor, which includes verification of the final terms. This involves greater effort for the supervisors, which have to dedicate greater material and staff resources to reviewing the prospectuses.

Controls on the consistency of the information included in the prospectus FIGURE 3

Number of countries which apply a specific control



Source: Executive summary of the Report Prospectus Directive Selective Mapping (CESR, 2010c).

Table 2 gathers the responses from the different competent authorities relating to how frequently the consistency of the information contained in this prospectus is checked with other information relating to the issuer.

Controls on consistency of the information based on available information about the issuer

TABLE 2

Number of countries which apply each type of control

a) They check the consistency of the information contained in a prospectus with the information related to the issuer submitted to the Competent Authority		
Yes	Case-by-case	16
	Always	12
No	1	
b) They check the consistency of the information contained in a prospectus with external information relating to the issuer (for example, press, website, data servers, etc.)		
Yes	Case-by-case	20
	Always	6
No	3	

Source: Executive summary of the Report Prospectus Directive Selective Mapping (CESR, 2010c).

Controls aimed at ensuring the comprehensibility of the information included in the prospectus

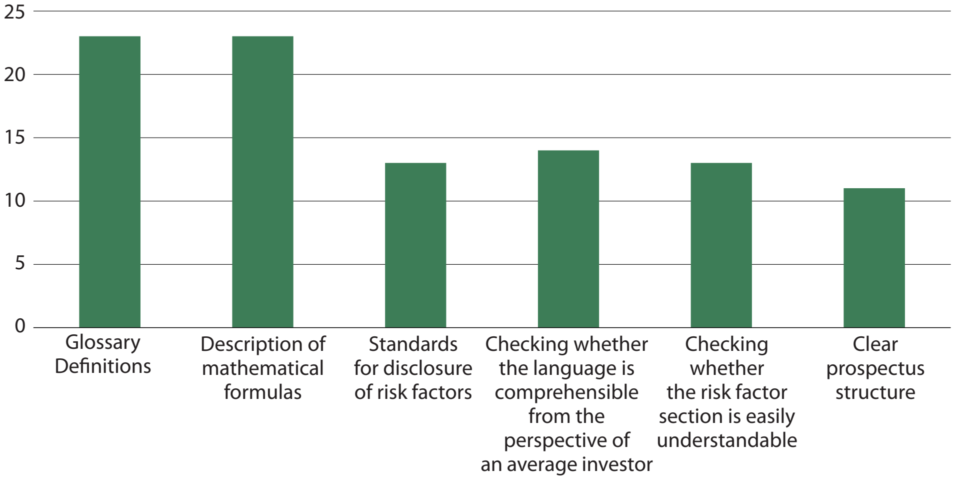
As part of the process of approving a prospectus, the competent authority must not only ensure that it is complete and that the information which it contains is consistent, but it must also ensure that the information contained is comprehensible, in accordance with Article 2.1 (q) of the Prospectus Directive. In this regard, the information contained in the prospectus must be presented in a manner which makes it easy to analyse and, although not expressly established in the Directive, this means that in the prospectus review process, the supervisory authorities must consider the people the prospectus is aimed at, that is, the final investors. In other words, the perspective should not always be the same when reviewing a prospectus; its comprehensibility should be matched to the people it is aimed at. A prospectus aimed at retail investors is not the same, in terms of comprehensibility, as a prospectus relating to an offer aimed exclusively at qualified investors.

The problem relating to comprehensibility is it basically depends on the criteria and perception of the analysts reviewing the prospectus. It is not easy to find controls which can be generally applied beyond including glossaries or definitions of technical terms (see figure 4). In this regard, it would be recommendable to reflect on the advantages of approving good practices among different competent authorities which indicate greater comprehensibility of the prospectuses relating to certain sections, such as the explanation of the yield of the financial instruments and the risk factors, for which specific standards could be developed.

In this area, the CNMV has intensified its efforts aimed at ensuring the comprehensibility of the prospectuses in those offers aimed at retail investors, especially when dealing with complex financial products, urging the issuing institutions to explain the yields which the financial instrument would give under different scenarios and to describe the structure of their derivatives, if considered appropriate.

Controls ensuring the comprehensibility of the information included in the prospectus FIGURE 4

Number of countries which apply a specific control



Source: Executive summary of the Report Prospectus Directive Selective Mapping (CESR, 2010c).

Controls aimed at ensuring that the prospectus contains all the information to enable investors to make an informed decision

Article 5 of the Prospectus Directive establishes that the prospectus shall contain "all information which, according to the particular nature of the issuer and of the securities offered to the public or admitted to trading on a regulated market, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses, and prospects of the issuer and of any guarantor, and of the rights attaching to such securities".

The competent authority, in addition to establishing controls relating to the integrity, consistency and comprehensibility of the prospectus, must check that it contains all material information which may be important for analysing securities, which requires a substantive analysis of the prospectus, not a merely formal analysis.

Whereas 20 of Directive 2003/71 on prospectuses provides that the information on the financial circumstances of the issuer and the rights attached to the securities needs to be sufficient and as objective as possible. The supervisory authority, pursuant to Article 21.3 (a) of the Prospectus Directive has the powers to "require issuers, offerors or persons asking for admission to trading on a regulated market to include in the prospectus supplementary information, if necessary for investor protection".

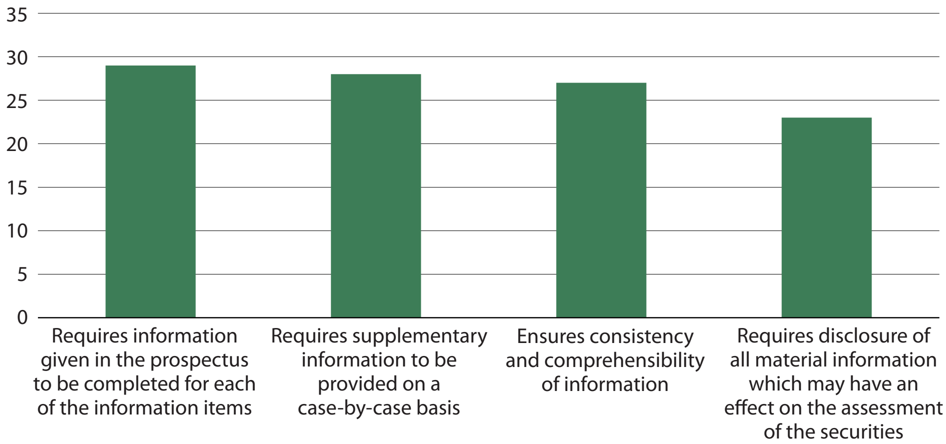
With regard to the supplementary information which may be required in order to ensure that issuers may suitably assess the rights attaching to the securities subject of investment, CNMV has considered it appropriate to request that, in those cases in which the issues do not have a significant qualified or institutional tranche, the issuers provide reports prepared by specialist independent entities which accredit whether the issue has been made on an arm's length basis.[1]

1 In this regard, see CNMV letter of 16/06/2010 to the chairpersons of the AEB, CECA, UNACC, ASNEF, EMISORES ESPAÑOLES, ASOCIACIÓN HIPOTECARIA about the update to requirements in fixed-income issues aimed at retail investors (CNMV, 2010).

Figure 5 includes the main practices declared by the different competent authorities relating to the controls aimed at ensuring that the prospectus contains all information which enables investors to make an informed decision. Although this figure suggests that there is a certain consensus about this type of control, the lack of specifics in the practices declared means that it is not possible to make a clear assessment on the level of convergence.

Controls on the sufficiency of the information for adopting an informed investment decision FIGURE 5

Number of countries which apply each type of control



Source: *Executive summary of the Report Prospectus Directive Selective Mapping* (CESR, 2010c).

Controls relating to financial information

A large part of the information on the issuer, offeror or person asking for admission to trading which appears in the prospectus is financial. This information is usually complex and the aforementioned requirements for consistency and comprehensibility are essential for ensuring that it is useful to the investor. In this regard, Whereas 20 of Directive 2003/71 on prospectuses establishes that the aims of sufficiency and maximum objectivity are also applied to the information on the issuer's financial circumstances, which must be presented in an easily analysable and comprehensible manner.

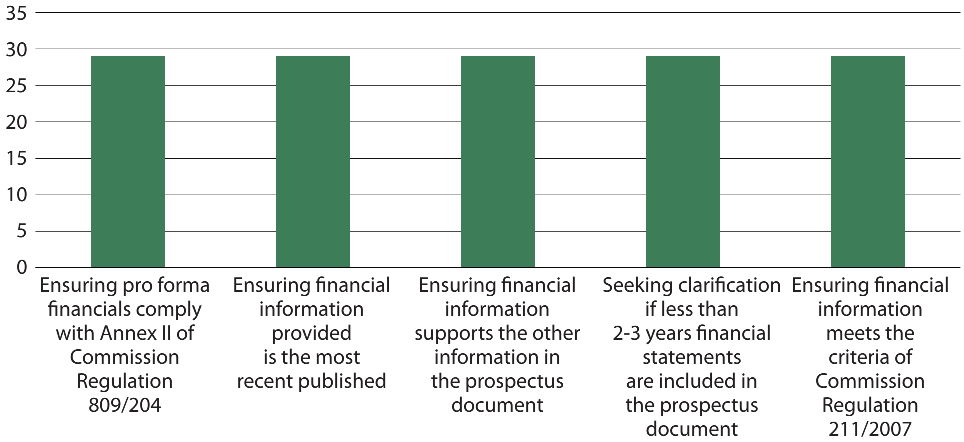
Again, in this area there is a ruling specifying the requirements for sufficiency, consistency and comprehensibility, which has led to different interpretations based on the emphasis which the competent authority places on one or another of the Directive's aims: competitiveness of financial markets, investor protection and increasing information transparency.

This means that there is extensive variety in the controls relating to the financial information contained in the prospectus to such an extent that not all supervisors consider it indispensable to check the consistency of the financial information contained in the prospectus with the financial information which the issuer has filed with the competent authority. In fact, those practices which are most extended and which all competent authorities have implemented refer to formal controls (see figure 6).

As mentioned earlier in relation to the controls aimed at ensuring the consistency of the information contained in the prospectus, the CNMV understands that verification of the consistency of the financial information contained in the prospectus must be carried out with regard to any other relevant information available to the supervisor and that, consequently, these controls must not be limited to ensuring consistency between the different financial figures which appear in the different sections of the prospectus. In addition, CNMV holds frequent meetings with the issuer and/or its advisers and the reviews of the financial information are carried out by experts, especially in the case of first admissions to trading or other issuers with a complex financial history or which have acquired significant financial commitments.

Controls on the issuer's financial information FIGURE 6

Number of countries which apply a specific control



Source: Executive summary of the Report Prospectus Directive Selective Mapping (CESR, 2010c).

Controls relating to the summary (in addition to those mentioned in Articles 5.2 and 11.1 of the Prospectus Directive)

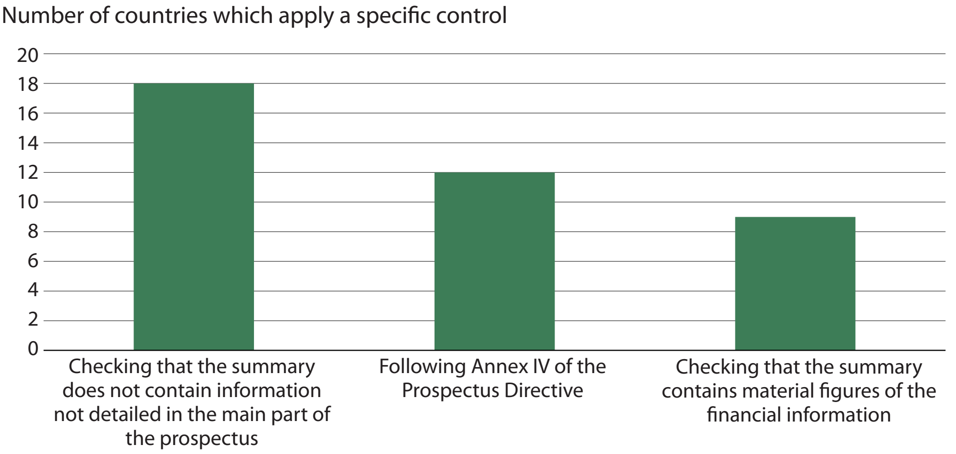
The summary is an essential part of the prospectus as it is used by investors when they begin to assess a financial instrument. All prospectuses with an offer of securities with a nominal value lower than 50,000 euros, which may thus be aimed at retail investors, must contain a summary. Article 5.2 of the Prospectus Directive establishes that the summary shall be brief and written in non-technical language, conveying the essential characteristics and risks associated with the issuer, any guarantor and the securities. Liability may not be demanded based on the summary unless it is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus. Article 11.1 of the Prospectus Directive states that the summary shall not incorporate information by reference. The existence of different practices when supervising the prospectus means that these divergences also appear when reviewing the summary.

Thanks to a greater awareness of the importance of this document, the recently-approved review of the Prospectus Directive has tackled the problem arising from the lack of homogeneity in the summary. It provides that the format and content of the summary must be developed through level 2 regulation. Homogeneity of the summary will make it easier to compare similar products.

Finally it should be pointed out that Whereas 21 of the Directive highlights that the prospectus must include a summary which conveys the essential characteristics of, and risks associated with, the issuer, any guarantor and the securities, with this information being a key factor for investor protection.

Figure 7 includes the main practices declared by the different competent authorities relating to the controls with regard to the summary (in addition to those mentioned in Articles 5.2 and 11.1 of the Prospectus Directive). This figure shows that there are almost no controls which have been implemented by a majority of the competent authorities and, therefore, it seems to show a certain lack of convergence with regard to such an important document. However, the aforementioned level 2 regulatory development should solve the situation as it will establish a common format and content for the summary.

Controls relating to the summary FIGURE 7



Source: *Executive summary of the Report Prospectus Directive Selective Mapping* (CESR, 2010c).

6 Conclusions

The main idea which has been emphasised in this article is that achieving efficient functioning of the Community passport system requires a high level of convergence in the prospectus review processes performed by the different competent European authorities. This will undoubtedly lead to greater homogeneity in prospectuses. Although the market participants have assessed the implementation of the Prospectus Directive as positive, and without dismissing the valuable work which the CESR has carried out to date, it is now necessary to continue making progress towards perfecting and converging the methods for controlling the information contained in prospectuses.

The recently approved review of the Prospectus Directive has not considered it appropriate to provide a more exact and clear definition of the scope of the prospectus review which supervisors must carry out. For practical purposes, this means there may continue to be different interpretations in this matter.

The different currents of interpretation with regard to the prospectus verification process may be summarised as follows. For one set of countries, responsibility for the information contained in the prospectus corresponds only to the issuer, the offeror or the person asking for admission to trading. This leads to the application of merely formal controls when checking the prospectus (box-ticking approach). Other countries consider that the scope and perimeter of the review must go further. This leads to a deeper and more extensive review of the prospectus document so as to ensure not only that the items in the prospectus have been completed, but also that the information contained therein is appropriate given the specific circumstances of the issuer and the issue.

At any event, it seems reasonable that, in the same way that the Prospectus Directive and its regulation require different levels of information depending on whether the prospectuses are aimed at qualified or retail investors, the competent authorities should also establish different processes based on the same criteria. Consequently, at least when the placements are aimed at retailers, the controls should be more material and offer more guarantees. Finally, it should be pointed out that further work needs to be carried out towards harmonising the practices relating to prospectus reviews so as to solve the problem of the diverging interpretations of certain provisions in the Prospectus Directive so that it is not left to the discretion of the regulator or supervisor.

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IV Legislative Annex

New legislation approved since publication of the CNMV bulletin for the third quarter of 2010, in chronological order, is as follows:

- Circular 2/2010, of 28 July, of the National Securities Market Commission, on securities and other instruments of a financial nature that may be numbered and the procedures for numbering.

  This Circular incorporates new financial instruments and practices to the numbering of tradable securities. It substitutes CNMV Circular 6/1998, of 16 December.

- Royal Decree 1159/2010, of 17 September, approving the Standards for Preparing Consolidated Annual Accounts and amending the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November, and the General Plan for Small and Medium Enterprises approved by Royal Decree 1515/2007, of 16 November.

  Accounting law has been subject to significant amendment as a result of Act 16/2007, of 4 July, on the reform and adaptation of commercial legislation relating to accounting for international standardisation based on European Union legislation. This legislation aims to implement specific aspects of account consolidation. The Royal Decree provides all companies with an accounting framework harmonised with European Union law, with the pre-existing EU regulations in this matter only applicable to listed companies when preparing their consolidated accounts. The content of the Royal Decree shall be applied to annual accounts (consolidated and individual) prepared in the first three months of 2011, corresponding to financial years starting from 1 January 2010, so as to make this reform coincide with that approved by the European Union on the same matter for preparing the consolidated annual accounts of listed companies.

  The new regulation has revised the accounting of business mergers or spin-offs and has specified a new scope for consolidated accounts. At the same time, it has introduced amendments to the methods which must be used when preparing such accounts.

  Noteworthy new aspects include that companies are exempt from the obligation to consolidate those events in which the parent company participates exclusively in subsidiaries which do not possess a significant holding, individually and jointly, for the true and fair view of the group's companies. Similarly, if an investment in a multi-group or associate company is classified under the category of non-current asset held for sale, it will be consolidated in accordance with the full consolidation method.

- Circular 6/2010, of 28 September, of the Bank of Spain, to credit institutions and payment institutions, on advertising bank products and services.

  This Circular implements Order EHA/1418/2010, of 11 June, which substituted the system of prior authorisation of bank advertising for an *a posteriori* control system in which the Bank of Spain prepares the criteria for financial advertising and may similarly request that advertising contrary to the law be stopped or rectified.

The Circular addresses the setting of the general principles which advertising must meet and the criteria for the minimum content and the format of the advertising message. It also deals with internal procedures and controls and the commercial communications policy of credit institutions, encouraging the institutions to adhere to a certified body for self-regulation of advertising activities. The institutions which do not adhere to a self-regulation system or whose advertising is not subject to prior authorisation by an Autonomous Region must submit themselves to control by the Bank of Spain.

- Circular 5/2010, of 28 September, of the Bank of Spain, to credit institutions, on information which must be provided by any potential acquirer in the notification referred to in Section 57.1 of Act 26/1988, of 29 July, on discipline and intervention of credit institutions.

  Section 57.1 of Act 26/1988, of 29 July, on discipline and intervention of credit institutions requires that any person who has decided to acquire, directly or indirectly, a significant holding in a Spanish credit institution must previously notify the Bank of Spain, which will assess the suitability of the acquirer and the financial strength of the proposed acquisition.

  This Circular, in accordance with the Guide of the Committee of European Banking Supervisors, includes a list of information which the supervisor must request for the evaluation of an acquisition of a significant holding, with greater or lesser scope based on whether or not the acquisition leads to a change in control of the institution.

  It also establishes the information that will be provided when the potential acquirer is a credit institution, a financial institution supervised by the CNMV or the Directorate-General of Insurance and Pension Funds.

- Circular 3/2010, of 14 October, of the National Securities Market Commission (CNMV) on administrative procedures for authorisation of venture capital firms and their management companies, for authorisation of amendments to their regulations and articles and for disclosing changes of directors and senior managers.

  The aim of this Circular is to adapt to the new legal framework established by Act 25/2005, improving the standardised procedures and forms established for venture capital firms and their management companies.

  Firstly, it establishes that the CNMV will make the standardised voluntary forms relating to authorisation procedures for new venture capital firms and their management companies publicly available at its virtual office.

  Secondly, certain amendments of the regulations of venture capital funds and the articles of venture capital companies are classified as of little importance.

  Finally, it regulates the procedure for informing the CNMV of changes in the Board of Directors and changes in the managing directors of venture capital firms and their management companies.

- Circular 4/2010, of 14 October, of the National Securities Market Commission, Amending Circular 2/2009, of 25 March, on accounting standards, annual accounts, public financial statements and reserved statements of statistical information of securitisation funds.

  This proposal for reforming CNMV Circular 2/2009, of 25 March, amends the accounting treatment of the depreciation of the financial assets of securitisation funds. It also amends some aspects of the annexes to Circular 2/2009 as a consequence, on the one hand, of the amendment of the standard relating to impairment of financial assets and, on the other hand, to facilitate the sending, publication and understanding of the financial information of securitisation funds.

- Royal Decree 1282/2010, of 15 October, regulating official markets for futures, options and other derivative financial instruments.

  This Royal Decree repeals Royal Decree 1814/1991, of 20 December, regulating official futures and options markets. The general aims of the Royal Decree are to match national regulations to international standards and to establish agreements and connections with other similar derivative markets, as well as to introduce new products, services and business lines in derivative instruments. It also aims to reduce the systemic risk associated with the clearing and settlement of these financial instruments. Its main measures are:

  - The governing council may offer trading, registration and central counterparty services or only registration and counterparty services or only trading services. This is one of the most significant new aspects.

  - It abolishes the requirement that each futures and options market has its own governing council. it provides for the possibility that the entities responsible for the central securities depository and other counterparties may become members.

  - A system is created for market members to provide guarantees, which the governing council may use in the event of non-compliance. The Royal Decree diversifies the regime for guarantees. It incorporates the guarantee provided by the market itself and the group. It establishes specific capital requirements for market members and it also establishes the regime for non-compliance by members and clients: it provides that the Governing Council may agree to transfer or close the contracts, informing the CNMV.

  - The markets will have six months from the entry into force of the Royal Decree to adapt their regulations and they must send the CNMV a report detailing the criteria and policies relating to their management.

  - A greater possibility of establishing a double step accounting register, made up by the central register, kept by the Governing Council, and the breakdown registers, kept by the members authorised to act as recorders. Derivatives will be represented by means of book entries in the registers of the Governing Council and will therefore be subject to Sections 5 to 12 of the Securities Market Act.

- Finally the products which can be traded and registered on these markets are extended. It abolishes the preceptive intervention of the governing bodies of the markets where the underlying asset of the futures and options is traded with regard to the approval of new derivative contracts.

- Circular 5/2010, of 18 November, of the National Securities Market Commission, on information which the potential acquirer must provide in the notification referred to in Section 69.4 of Act 24/1988, of 28 July, on the Securities Market and Section 45.3 of Act 35/2003, of 4 November, on Undertakings for Collective Investment in Transferable Securities for the prudential assessment of the acquisitions of significant holdings and increases in holdings in investment firms and management companies of undertakings for collective investment in transferable securities.

  All persons who, whether alone or acting in agreement with others, have decided to acquire, directly or indirectly, a significant holding (equal to, or greater than, 20%, 30% or 50% of the voting rights or capital) in a Spanish investment firm or UCITS management company shall previously notify the CNMV, which must assess the suitability of the acquirer and the financial strength of the proposed acquisition.

  This Circular includes a list of information which the supervisor must request for assessing an acquisition, with greater or lesser scope depending on whether the acquisition leads to a change in control of the company.

- Regulation (EU) No 1092/2010, of the European Parliament and of the Council, of 24 November 2010, on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board.

  Financial stability is a precondition for the real economy to provide jobs, credit and growth. As a result of this regulation, the European Systemic Risk Board (ESRB) is established. It will be responsible for macro-prudential oversight in the European Union without prejudice to its necessary collaboration with other bodies such as the European Central Bank and, outside the EU, the IMF, the G-20 and the Financial Stability Board. The ESRB's task will be to monitor and assess systemic risk in normal times for the purpose of mitigating the exposure of the system to the risk of failure of systemic components and enhancing the financial system's resilience to shocks. In that respect, the ESRB will contribute to ensuring financial stability and mitigating the negative impacts on the internal market and the real economy.

  In particular, The ESRB will issue warnings which may be addressed specifically to one or several Member States or to a European Supervisory Authority with a specified timeline for the relevant policy response.

- Regulation (EU) No 1095/2010, of the European Parliament and of the Council, of 24 November, establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC.

  The Larosière report recommended that the supervisory framework be strengthened. It recommended reforms in the structure of the supervision of the financial sector in the Union so that it should comprise three European supervisory authorities: one for the banking sector, one for the securities sector and one for the insurance and occupational pension sector. It also recommended the creation of a European Systemic Risk Council. The European Supervisory Authorities shall replace the Committee of European Banking Supervisors, the Committee of European Insurance and Occupational Pension Supervisors and the Committee of European Securities Regulators and shall assume all the tasks and competences of those committees.

Its tasks include promoting supervisory convergence and providing advice to the Union institutions in the areas of its responsibility. Its other tasks will include temporarily restricting certain financial activities that threaten the orderly functioning and integrity of financial markets or the stability of the financial system in the Union, assisting competent national supervisory authorities in the consistent interpretation and application of Union rules and contributing to financial stability. The European Securities and Markets Authority shall execute exclusive supervisory powers over credit rating agencies entrusted to it in Regulation 1060/2009 (it is entrusted with powers of investigation and enforcement, as well as the possibility of charging fees).

There is a need to introduce an effective instrument to establish harmonised regulatory technical standards in financial services to ensure a level playing field and adequate protection of investors. The Authority will present the draft regulatory technical standards to the Commission for its approval, although the Commission may adopt standards if there are no drafts from the Authority. The Authority, in turn, may issue guidelines and recommendations on the application of Union law.

A mechanism will be established whereby the Authority addresses instances of non-application or incorrect application of Union law amounting to a breach thereof. Control will be exercised in three stages: i) the Authority will investigate incorrect application of Union law by national authorities in their supervisory practice, concluded by a recommendation, ii) where the national authority does not follow the recommendation, the Commission may issue a formal opinion taking into account the Authority's recommendation, requiring that the measures are met, iii) in exceptional situations of persistent inaction by the national authority, the European Authority will be empowered, as a last resort, to adopt decisions addressed to individual financial market participants. This third stage will only be applicable in exceptional cases.

The Authority will be able to require national supervisory authorities to take specific action to remedy an emergency situation. It will also be able to settle disagreements in cross-border situations with binding effect. Furthermore, the Authority will participate in the colleges of supervisors with a view to streamlining the functioning of, and the information exchange process in the colleges of supervisors and to foster convergence and consistency across colleges in the application of Union law. Delegations of responsibilities will be governed by the principle of allocating supervisory competence to a supervisor which is best placed to adopt optimal measures to take action in the subject matter, for example, for reasons of economies of scale.

The Authority should serve as an independent advisory body to the European Parliament, the Council, and the Commission in the area of its competence and may provide its opinion on the prudential assessment of mergers and acquisitions.

The principal organ of the Authority will be made up of the top representatives of the Member States, who will take their decisions by simple majority except for acts of a general nature, including those relating to regulatory and implementing technical standards, guidelines and recommendations for budgetary matters, as well as in respect of requests by Member States to reconsider a decision by the Authority to temporarily prohibit or restrict certain financial activities.

- Directive 2010/73/EU of the European Parliament and of the Council, of 24 November 2010, amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

  This directive amends certain aspects of Directive 2003/71/EC in order to simplify and improve its application, gaining efficiency and competitiveness of the international market. The main new aspects are as follows:

  - The disclosure requirements are reduced on issuing certain types of securities (small companies, small credit institutions, pre-emptive issues and public guarantee systems).

  - The exemptions from the requirement to publish a prospectus when the company sells through intermediaries (successive retail sales) are clearer.

  - The requirements to publish which currently overlap with those provided for in the European Directive on transparency of information about issuers of securities are eliminated.

  - The issuers of non-equity securities will have the possibility of determining their home country (whether or not a member of the EU).

  - The definition of "qualified investors" in the European Prospectus Directive will be matched with that of "professional clients" in the European Directive on markets in financial instruments (MiFID).

  - The prospectuses will include a summary as an autonomous part, which will be simple and easy for investors to understand.

- Directive 2010/76/EU of the European Parliament and of the Council, of 24 November, amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies.

  Pursuant to this directive, financial institutions must:

  - Have more financial resources available to cover risks when they invest in re-securitisations.

- Disclose more information about the risks with complex products so as to create a climate of confidence which allows them to lend to each other again.

- Assess differently the risks associated with their trading books so as not to be forced to sell when the market falls, and thus exacerbate the situation on making market prices fall even further.

- Establish remuneration policies which no longer reward excessive risk-taking by their executives.

- Directive 2010/78/EU of the European Parliament and of the Council, of 24 November, amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority).

  This directive aims to amend certain European Union standards regarding the securities market in order for the ESFS (European System of Financial Supervisors) to work effectively in the field of operation of the three authorities to guarantee their smooth and effective functioning.

  The European supervisory authorities will have powers to develop draft technical standards and to determine how they will be adopted. The technical standards may be established in two ways: as delegated acts or as acts implementing other acts of the EU which are legally binding. The European Parliament and the Council may object to delegated acts within three months from the date of notification.

  The tasks of the European Securities Markets Authority regarding the Directive on settlement finality in payment and securities settlement systems shall be without prejudice to the competence of the European System of Central Banks.

V Statistics Annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

	2007	2008	2009	2009 IV	2010 I	II	III	IV[2]
CASH VALUE[3] (million euro)	69,955.5	16,349.3	11,390.7	2,311.3	241.5	5,115.3	2,322.6	6,619.4
Capital increases	67,887.0	16,339.7	11,388.7	2,309.4	241.5	4,580.9	2,322.6	6,548.0
Of which, primary offerings	8,502.7	292.0	17.4	10.3	14.8	923.7	6.0	4.4
With Spanish tranche	4,821.3	292.0	14.9	7.9	14.8	26.8	5.9	4.4
With international tranche	3,681.4	0.0	2.5	2.5	0.0	896.9	0.0	0.0
Secondary offerings	2,068.5	9.5	1.9	1.9	0.0	534.4	0.0	71.4
With Spanish tranche	1,517.1	9.5	1.9	1.9	0.0	7.7	0.0	71.4
With international tranche	551.4	0.0	0.0	0.0	0.0	526.7	0.0	0.0
NOMINAL VALUE (million euro)	6,441.5	1,835.8	1,892.1	182.8	143.8	2,851.9	2,234.5	825.1
Capital increases	6,358.4	1,835.7	1,892.0	182.7	143.8	2,851.9	2,234.5	816.2
Of which, primary offerings	1,122.9	100.0	0.1	0.1	0.1	0.2	0.7	1.0
With Spanish tranche	676.0	100.0	0.1	0.1	0.1	0.1	0.7	0.9
With international tranche	446.9	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Secondary offerings	83.2	0.1	0.0	0.0	0.0	0.0	0.0	8.9
With Spanish tranche	46.0	0.1	0.0	0.0	0.0	0.0	0.0	8.9
With international tranche	37.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NO. OF FILES[4]	100	54	53	19	10	18	12	16
Capital increases	91	53	53	19	10	17	12	15
Of which, primary offerings	8	2	2	1	2	4	2	1
Of which, bonus issues	19	18	11	3	1	4	3	3
Secondary offerings	12	2	1	1	0	2	0	1
NO. OF ISSUERS[4]	57	39	34	16	10	13	10	13
Capital increases	52	38	34	16	10	13	10	12
Of which, primary offerings	6	2	2	1	2	4	2	1
Secondary offerings	8	2	1	1	0	1	0	1

1 Includes registered offerings with issuance prospectuses and listings admitted to trading without register issuance prospectuses.
2 Available data: November 2010.
3 Does not include registered amounts that were not carried out.
4 Includes all registered offerings, including the issues that were not carried out.

Primary and secondary offerings. By type of subscriber

TABLE 1.2

million euro	2007	2008	2009	2009 IV	2010 I	II	III	IV[1]
PRIMARY OFFERINGS	8,502.7	292.0	17.3	10.3	14.8	923.7	6.0	4.4
Spanish tranche	4,646.2	282.0	14.9	7.9	14.8	26.8	5.9	4.4
Private subscribers	2,841.0	191.5	0.0	0.0	0.0	0.0	2.5	0.0
Institutional subscribers	1,805.2	90.5	14.9	7.9	14.8	26.8	3.4	4.4
International tranche	3,681.4	0.0	2.5	2.5	0.0	896.9	0.0	0.0
Employees	175.2	10.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SECONDARY OFFERINGS	2,068.5	9.5	1.9	1.9	0.0	534.4	0.0	71.4
Spanish tranche	1,505.7	9.5	1.5	1.5	0.0	7.7	0.0	71.4
Private subscribers	393.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Institutional subscribers	1,111.8	9.5	1.5	1.5	0.0	7.7	0.0	71.4
International tranche	551.4	0.0	0.0	0.0	0.0	526.7	0.0	0.0
Employees	11.4	0.0	0.4	0.4	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: November 2010.

Companies listed[1]

TABLE 1.3

	2007	2008	2009	2009 IV	2010 I	II	III	IV[2]
Total electronic market[3]	143	136	133	133	132	131	129	129
Of which, without Nuevo Mercado	142	136	133	133	132	131	129	129
Of which, Nuevo Mercado	1	0	0	0	0	0	0	0
Of which, foreign companies	5	5	5	5	5	5	5	6
Second Market	11	8	7	7	6	6	6	6
Madrid	2	2	2	2	2	2	2	2
Barcelona	9	6	5	5	4	4	4	4
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry ex SICAV	31	29	29	29	29	28	28	28
Madrid	13	13	13	13	13	13	13	13
Barcelona	20	19	19	19	19	18	18	18
Bilbao	9	8	8	8	8	8	8	8
Valencia	9	7	6	6	6	6	6	6
Open outcry SICAV	8	3	1	1	1	1	1	1
MAB[4]	3,287	3,347	3,251	3,251	3,213	3,193	3,175	3,158
Latibex	34	35	32	32	32	32	31	31

1 Data at the end of period.
2 Available data: November 2010.
3 Without ETF (Exchange Traded Funds).
4 Alternative Stock Market.

Capitalisation[1]

TABLE 1.4

million euro	2007	2008	2009	2009 IV	2010 I	II	III	IV[2]
Total electronic market[3]	892,053.8	531,194.2	639,087.1	639,087.1	590,182.8	506,500.6	568,142.8	529,792.1
Of which, without Nuevo Mercado	891,875.7	531,194.2	639,087.1	639,087.1	590,182.8	506,500.6	568,142.8	529,792.1
Of which, Nuevo Mercado	178.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies[4]	134,768.6	61,317.5	94,954.0	94,954.0	92,275.8	76,530.8	83,898.4	93,863.8
Ibex 35	524,651.0	322,806.6	404,997.3	404,997.3	376,747.6	321,072.6	364,914.0	327,371.3
Second Market	286.8	109.9	80.9	80.9	69.1	66.4	74.9	75.6
Madrid	27.8	22.8	24.9	24.9	23.4	24.8	26.4	25.7
Barcelona	259.0	87.1	56.0	56.0	45.7	41.5	48.5	49.9
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry ex SICAV	7,444.9	5,340.7	4,226.5	4,226.5	4,159.1	4,065.6	3,859.2	4,069.1
Madrid	1,840.6	1,454.7	997.3	997.3	958.0	920.7	924.0	911.2
Barcelona	4,627.8	3,580.2	3,400.6	3,400.6	3,336.4	3,276.0	3,139.2	3,363.8
Bilbao	108.2	45.9	435.4	435.4	433.4	386.9	386.9	371.2
Valencia	1,206.5	760.4	559.2	559.2	554.8	543.4	475.2	455.3
Open outcry SICAV[5]	204.9	126.8	28.5	28.5	28.9	31.1	31.2	31.3
MAB[5,6]	31,202.5	24,718.6	26,490.7	26,490.7	26,948.4	25,763.3	26,046.2	25,878.4
Latibex	427,773.6	210,773.5	412,628.9	412,628.9	437,016.7	405,461.9	408,834.8	422,556.9

1 Data at the end of period.
2 Available data: November 2010.
3 Without ETF (Exchange Traded Funds).
4 Foreign companies capitalisation includes their entire shares, whether they are deposited in Spain or not.
5 It is only calculated with outstanding shares, but not with treasury shares, because they only report the capital stock at the end of the year.
6 Alternative Stock Market.

Trading

TABLE 1.5

million euro	2007	2008	2009	2009 IV	2010 I	II	III	IV[1]
Total electronic market[2]	1,653,354.8	1,228,392.4	877,073.5	256,295.3	226,191.0	294,779.6	213,520.2	221,125.3
Of which, without Nuevo Mercado	1,627,369.5	1,228,380.9	877,073.5	256,295.3	226,191.0	294,779.6	213,520.2	221,125.3
Of which, Nuevo Mercado	25,985.3	11.4	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies	7,499.3	1,407.1	4,750.4	1,573.3	1,704.5	2,294.1	1,158.2	872.6
Second Market	192.9	31.7	3.2	0.4	0.3	0.9	0.5	1.3
Madrid	8.9	3.4	2.0	0.4	0.3	0.6	0.5	1.3
Barcelona	182.3	28.3	1.2	0.0	0.0	0.2	0.0	0.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry ex SICAV	792.7	182.1	52.8	10.4	14.1	8.9	53.1	74.5
Madrid	236.1	73.9	16.5	1.3	1.2	4.5	8.6	1.0
Barcelona	402.8	103.6	29.4	9.0	9.1	4.3	44.4	73.2
Bilbao	0.1	0.1	1.1	0.0	3.9	0.0	0.0	0.0
Valencia	153.8	4.5	5.9	0.1	0.0	0.2	0.1	0.3
Open outcry SICAV	361.6	25.3	19.7	1.7	3.3	3.8	0.5	0.1
MAB[3]	6,985.2	7,060.3	5,080.1	1,544.4	1,089.0	1,143.6	768.4	678.4
Latibex	868.2	757.7	434.7	120.0	146.5	162.1	93.5	74.2

1 Available data: November 2010.

2 Without ETF (Exchange Traded Funds).

3 Alternative Stock Market.

Trading on the electronic market by type of transaction[1]

TABLE 1.6

million euro	2007	2008	2009	2009 IV	2010 I	II	III	IV[2]
Regular trading	1,577,249.5	1,180,835.9	833,854.9	243,475.3	218,800.9	282,043.0	202,084.6	216,247.6
Orders	985,087.6	774,718.1	499,182.8	129,372.8	135,802.4	161,849.1	112,273.3	93,883.6
Put-throughs	155,085.1	105,673.9	51,335.8	15,150.6	14,134.7	16,114.0	12,924.2	10,474.3
Block trades	437,076.8	300,443.9	283,336.3	98,952.0	68,863.7	104,079.8	76,887.0	111,889.7
Off-hours	18,301.5	10,175.2	5,996.6	4,253.2	3,481.0	5,731.2	4,932.9	1,570.4
Authorised trades	4,189.6	3,183.2	4,695.6	789.1	246.2	1,188.4	200.2	445.3
Art. 36.1 SML trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	26,284.3	17,461.2	7,188.9	3.6	0.0	273.1	38.8	0.0
Public offerings for sale	11,177.4	292.0	1,325.0	0.0	0.0	1,448.2	0.0	0.0
Declared trades	2,954.4	1,066.8	5,202.6	9.0	0.0	0.7	2,272.7	0.0
Options	10,240.4	9,661.9	11,443.2	5,063.3	1,741.6	2,487.4	2,010.5	1,511.2
Hedge transactions	2,957.8	5,716.3	7,366.7	2,701.8	1,921.4	1,607.6	1,980.4	1,350.7

1 Without ETF (Exchange Traded Funds).

2 Available data: November 2010.

Margin trading for sales and securities lending

TABLE 1.7

million euro	2007	2008	2009	2009 IV	2010 I	II	III	IV[1]
TRADING								
Securities lending[2]	835,326.9	583,950.8	471,007.1	159,073.2	116,966.4	161,045.4	123,594.7	127,676.0
Margin trading for sales of securities[3]	555.4	624.9	704.3	153.0	153.6	158.8	155.6	87.7
Margin trading for securities purchases[3]	411.3	154.7	106.4	21.5	19.0	17.0	12.9	12.0
OUTSTANDING BALANCE								
Securities lending[2]	79,532.9	43,647.8	47,322.2	47,322.2	42,162.6	39,413.7	37,101.6	35,832.7
Margin trading for sales of securities[3]	112.4	20.7	21.1	21.1	18.7	13.7	19.1	8.2
Margin trading for securities purchases[3]	59.4	7.0	5.6	5.6	4.8	5.0	3.4	5.3

1 Available data: November 2010.

2 Regulated by Article 36.7 of the Securities Market Law and Order ECO/764/2004.

3 Transactions performed in accordance with Ministerial Order dated 25 March 1991 on the margin system in spot transactions.

1.2 Fixed-income

Gross issues registered[1] at the CNMV

TABLE 1.8

	2007	2008	2009	2009 IV	2010 I	II	III	IV[2]
NO. OF ISSUERS	173	179	168	69	36	58	33	34
Mortgage covered bonds	10	19	27	16	9	18	13	10
Territorial covered bonds	4	7	1	0	2	3	1	1
Non-convertible bonds and debentures	41	30	50	30	16	24	11	11
Convertible bonds and debentures	0	1	3	1	0	0	0	2
Backed securities	77	88	68	13	5	9	7	8
Commercial paper	80	77	69	26	13	18	9	9
Of which, asset-backed	3	2	2	1	0	1	0	1
Of which, non-asset-backed	77	75	67	25	13	17	9	8
Other fixed-income issues	2	0	0	0	0	0	0	0
Preference shares	5	8	23	1	0	0	0	0
NO. OF ISSUES	335	337	512	118	70	121	60	70
Mortgage covered bonds	32	47	75	20	11	32	24	17
Territorial covered bonds	8	8	1	0	2	4	1	2
Non-convertible bonds and debentures	79	76	244	56	39	58	19	31
Convertible bonds and debentures	0	1	6	2	0	0	0	3
Backed securities	101	108	76	13	5	9	7	8
Commercial paper	107	88	73	26	13	18	9	9
Of which, asset-backed	3	2	2	1	0	1	0	1
Of which, non-asset-backed	104	86	71	25	13	17	9	8
Other fixed-income issues	3	0	0	0	0	0	0	0
Preference shares	5	9	37	1	0	0	0	0
NOMINAL AMOUNT (million euro)	648,757.0	476,275.7	387,475.8	74,198.8	51,667.5	57,409.7	61,634.8	31,969.0
Mortgage covered bonds	24,695.5	14,300.0	35,573.9	11,055.0	4,650.0	10,892.4	10,317.0	6,625.0
Territorial covered bonds	5,060.0	1,820.0	500.0	0.0	400.0	4,700.0	300.0	500.0
Non-convertible bonds and debentures	27,416.0	10,489.6	62,249.0	12,370.1	8,732.8	6,811.4	1,287.2	3,690.6
Convertible bonds and debentures	0.0	1,429.1	3,200.0	700.0	0.0	0.0	0.0	968.0
Backed securities	141,627.0	135,252.5	81,651.2	10,301.2	2,875.0	15,698.5	28,189.7	4,727.3
Spanish tranche	94,049.0	132,730.1	77,289.4	9,696.5	2,875.0	15,205.0	28,189.7	4,703.3
International tranche	47,578.0	2,522.4	4,361.9	604.7	0.0	493.5	0.0	24.0
Commercial paper[3]	442,433.5	311,738.5	191,341.7	39,752.6	35,009.7	19,307.5	21,540.9	15,458.2
Of which, asset-backed	464.8	2,843.1	4,758.4	1,245.0	995.0	930.0	1,723.0	1,056.0
Of which, non-asset-backed	441,968.7	308,895.4	186,583.3	38,507.6	34,014.7	18,377.5	19,817.9	14,402.2
Other fixed-income issues	7,300.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preference shares	225.0	1,246.0	12,960.0	20.0	0.0	0.0	0.0	0.0
Pro memoria:								
Subordinated issues	47,158.3	12,949.5	20,988.5	2,254.1	3,284.0	1,983.5	1,838.5	1,632.2
Underwritten issues	86,161.1	9,169.5	4,793.8	784.8	299.0	0.0	0.0	0.0

1 Includes issuance and trading prospectuses.
2 Available data: November 2010.
3 The figures for commercial paper refer to the amount placed in the year.

Issues admitted to trading on AIAF

TABLE 1.9

nominal amount in million euro	2007	2008	2009	2009 IV	2010 I	II	III	IV[1]
Total	640,096.2	476,710.4	388,455.0	68,506.9	56,552.9	53,030.8	65,590.3	30,419.2
Commercial paper	439,787.3	314,417.4	191,427.7	37,110.1	37,414.8	18,699.8	22,148.0	16,322.7
Bonds and debentures	30,006.9	10,040.3	61,862.5	11,959.7	8,283.1	7,392.1	1,541.1	3,049.2
Mortgage covered bonds	27,195.5	14,150.0	35,568.9	11,200.0	4,775.0	9,820.0	9,767.0	7,125.0
Territorial covered bonds	7,450.0	1,930.0	500.0	0.0	125.0	4,975.0	300.0	500.0
Backed securities	135,149.5	135,926.6	85,542.9	7,495.2	5,855.0	12,144.0	31,834.2	3,422.3
Preference shares	507.0	246.0	13,552.9	742.0	100.0	0.0	0.0	0.0
Matador bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: November 2010.

AIAF. Issuers, issues and outstanding balance

TABLE 1.10

	2007	2008	2009	2009 IV	2010 I	II	III	IV[1]
NO. OF ISSUERS	492	556	614	614	618	618	628	629
Commercial paper	73	72	67	67	66	63	66	63
Bonds and debentures	92	93	91	91	92	91	91	93
Mortgage covered bonds	14	22	29	29	30	31	31	32
Territorial covered bonds	7	11	11	11	11	11	11	12
Backed securities	316	383	442	442	445	447	454	455
Preference shares	50	52	60	60	61	60	59	59
Matador bonds	15	12	12	12	12	12	12	12
NO. OF ISSUES	4,314	4,639	4,084	4,084	4,062	3,773	3,648	3,687
Commercial paper	2,493	2,489	1,507	1,507	1,464	1,144	999	1,030
Bonds and debentures	445	450	611	611	625	646	640	640
Mortgage covered bonds	111	146	202	202	210	220	239	249
Territorial covered bonds	19	26	25	25	23	24	25	26
Backed securities	1,157	1,436	1,629	1,629	1,630	1,630	1,638	1,635
Preference shares	71	78	96	96	96	95	93	93
Matador bonds	18	14	14	14	14	14	14	14
OUTSTANDING BALANCE[2] (million euro)	758,559.8	819,637.7	870,981.1	870,981.1	866,273.2	839,512.9	851,816.2	849,371.4
Commercial paper	98,467.6	71,762.2	41,647.0	41,647.0	45,347.2	32,547.3	27,299.7	28,310.3
Bonds and debentures	139,586.3	122,001.9	150,886.3	150,886.3	152,333.9	148,723.1	144,512.2	142,376.8
Mortgage covered bonds	150,905.5	162,465.5	185,343.8	185,343.8	186,018.8	183,028.7	189,145.7	195,870.7
Territorial covered bonds	16,375.0	17,030.0	16,030.0	16,030.0	15,725.0	18,350.0	18,650.0	18,350.0
Backed securities	328,924.6	422,010.7	442,831.5	442,831.5	432,505.7	422,610.5	440,255.3	432,510.2
Preference shares	23,062.6	23,308.6	33,183.8	33,183.8	33,283.8	33,194.5	30,894.5	30,894.5
Matador bonds	1,238.2	1,058.8	1,058.8	1,058.8	1,058.8	1,058.8	1,058.8	1,058.8

1 Available data: November 2010.

2 Nominal amount.

AIAF. Trading

TABLE 1.11

nominal amount in million euro	2007	2008	2009	2009 IV	2010 I	II	III	IV[1]
BY TYPE OF ASSET	1,127,477.7	2,521,040.1	4,658,633.2	1,008,622.5	655,522.1	827,201.7	1,088,985.4	1,078,971.2
Commercial paper	568,009.6	591,943.8	533,331.0	111,412.5	116,534.6	103,792.8	92,307.2	45,063.4
Bonds and debentures	87,035.7	80,573.8	321,743.0	108,864.2	158,121.4	222,442.8	192,302.0	243,203.1
Mortgage covered bonds	80,811.2	129,995.3	263,150.0	50,553.9	20,802.8	67,917.3	86,114.0	43,121.9
Territorial covered bonds	7,749.8	10,142.3	7,209.0	781.1	889.3	8,436.1	3,213.7	1,028.9
Backed securities	378,005.2	1,704,341.8	3,527,486.4	735,745.7	357,996.5	423,251.4	714,081.4	745,688.8
Preference shares	4,492.4	4,030.0	5,668.5	1,262.6	1,176.7	1,218.4	966.9	852.2
Matador bonds	1,373.8	13.2	45.2	2.5	0.9	143.0	0.2	12.9
BY TYPE OF TRANSACTION	1,127,477.7	2,521,040.1	4,658,633.2	1,008,622.5	655,522.1	827,201.7	1,088,985.4	1,078,971.2
Outright	416,477.9	387,897.1	378,348.4	86,264.0	82,774.2	81,767.7	55,230.8	39,270.6
Repos	441,362.7	381,505.0	362,068.7	83,265.5	88,416.1	82,787.8	72,123.5	39,150.5
Sell-buybacks/Buy-sellbacks	269,637.1	1,751,638.0	3,918,216.1	839,093.0	484,331.9	662,646.2	961,631.2	1,000,550.1

1 Available data: November 2010.

AIAF. Third-party trading. By purchaser sector

TABLE 1.12

nominal amount in million euro	2007	2008	2009	2009 IV	2010 I	II	III	IV[1]
Total	837,308.5	744,652.5	681,946.6	158,437.3	162,210.3	149,135.7	121,757.2	72,743.6
Non-financial companies	364,490.6	285,044.4	256,224.6	49,251.8	49,505.8	42,315.5	37,846.5	20,470.1
Financial institutions	282,816.9	334,851.6	298,909.1	72,792.9	75,137.6	78,273.1	68,828.4	41,517.0
Credit institutions	99,492.0	130,056.0	125,547.5	27,731.9	24,254.8	26,236.4	21,916.4	15,022.4
IIC[2], insurance and pension funds	152,429.2	154,709.8	115,865.3	29,611.2	35,927.1	36,015.3	31,339.1	16,266.9
Other financial institutions	30,895.6	50,085.8	57,496.3	15,449.8	14,955.7	16,021.4	15,572.8	10,227.8
General government	7,762.4	6,331.2	5,808.5	900.1	1,222.0	1,425.4	160.5	174.0
Households and NPISHs[3]	28,534.8	13,344.0	14,647.8	6,031.8	6,377.6	3,090.8	2,234.1	1,721.6
Rest of the world	153,703.8	105,081.2	106,356.6	29,460.8	29,967.2	24,030.8	12,687.8	8,860.9

1 Available data: November 2010.

2 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

3 Non-profit institutions serving households.

Issues admitted to trading on equity markets[1]

TABLE 1.13

				2009	2010			
	2007	2008	2009	IV	I	II	III	IV[2]
NOMINAL AMOUNTS (million euro)	9,020.3	3,390.6	5,866.8	4,056.0	200.0	200.0	0.0	468.0
Non-convertible bonds and debentures	0.0	0.0	0.0	0.0	200.0	200.0	0.0	0.0
Convertible bonds and debentures	0.0	0.0	4,510.8	2,700.0	0.0	0.0	0.0	468.0
Backed securities	2,020.3	3,390.6	1,356.0	1,356.0	0.0	0.0	0.0	0.0
Others	7,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NO. OF ISSUES	16	33	10	8	3	4	0	1
Non-convertible bonds and debentures	0	0	0	0	3	4	0	0
Convertible bonds and debentures	0	0	4	2	0	0	0	1
Backed securities	15	33	6	6	0	0	0	0
Others	1	0	0	0	0	0	0	0

1 Private issuers. Includes issuance and trading prospectuses.

2 Available data: November 2010.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.14

				2009	2010			
	2007	2008	2009	IV	I	II	III	IV[1]
NO. OF ISSUERS	53	58	62	62	61	62	62	62
Private issuers	40	45	48	48	47	48	48	48
Non-financial companies	6	5	6	6	5	5	5	5
Financial institutions	34	40	42	42	42	43	43	43
General government[3]	13	13	14	14	14	14	14	14
Regional governments	3	3	3	3	3	3	3	3
NO. OF ISSUES	249	271	269	269	260	258	257	249
Private issuers	133	157	155	155	152	151	150	150
Non-financial companies	12	9	10	10	8	8	8	7
Financial institutions	121	148	145	145	144	143	142	143
General government[3]	116	114	114	114	108	107	107	99
Regional governments	83	82	76	76	69	68	68	61
OUTSTANDING BALANCES[2] (million euro)	25,654.7	29,142.6	36,299.5	36,299.5	36,329.8	36,674.9	36,480.1	36,621.0
Private issuers	14,958.1	17,237.9	21,600.9	21,600.9	21,083.8	19,462.5	19,110.1	19,371.5
Non-financial companies	452.5	381.0	1,783.7	1,783.7	1,778.2	377.3	377.1	376.7
Financial institutions	14,505.6	16,856.9	19,817.2	19,817.2	19,305.6	19,085.2	18,733.0	18,994.8
General government[3]	10,696.6	11,904.7	14,698.6	14,698.6	15,246.0	17,212.3	17,370.0	17,249.6
Regional governments	8,862.6	9,972.5	12,338.3	12,338.3	12,836.3	14,803.4	14,961.8	14,861.4

1 Available data: November 2010.

2 Nominal amount.

3 Without public book-entry debt.

Trading on equity markets

TABLE 1.15

				2009	2010			
nominal amounts in million euro	2007	2008	2009	IV	I	II	III	IV[1]
Electronic market	448.9	1,580.1	633.0	279.6	83.8	207.1	97.1	3,082.5
Open outcry	7,154.3	7,842.1	4,008.4	2,892.5	328.9	1,404.5	1,117.8	3,279.6
Madrid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barcelona	7,040.1	7,674.9	3,821.1	2,798.4	101.5	1,373.0	1,051.6	3,265.6
Bilbao	7.5	6.1	4.6	0.8	0.8	0.7	0.4	0.4
Valencia	106.7	161.1	182.7	92.4	226.6	30.9	65.8	13.6
Public book-entry debt	33.6	46.2	49.1	9.6	11.8	304.0	6.3	9.2
Regional governments debt	83,967.7	71,045.0	70,065.8	15,216.3	18,577.3	12,510.5	10,924.7	3,066.2

1 Available data: November 2010.

Organised trading systems: SENAF y MTS. Public debt trading by type

TABLE 1.16

nominal amounts in million euro	2007	2008	2009	2009 IV	2010 I	II	III	IV[1]
Total	174,046.3	132,327.4	202,120.5	65,944.6	83,724.5	64,903.8	75,677.6	36,618.2
Outright	134,147.0	89,010.5	114,314.0	50,843.5	53,396.0	19,326.0	16,173.0	19,751.0
Sell-buybacks/Buy-sellbacks	39,899.3	43,316.9	86,806.5	14,576.1	29,997.5	45,536.8	59,504.6	16,867.2
Others	0.0	0.0	1,000.0	525.0	331.0	41.0	0.0	0.0

1 Available data: November 2010.

1.3 Derivatives and other products

1.3.1 Financial derivatives markets: MEFF

Trading on MEFF

TABLE 1.17

number of contracts	2007	2008	2009	2009 IV	2010 I	II	III	IV[1]
Debt products	13	12	18	4	4	4	4	0
Debt futures[2]	13	12	18	4	4	4	4	0
Ibex 35 products[3,4]	9,288,909	8,433,963	6,187,544	1,499,223	1,635,380	2,279,397	1,446,089	1,061,968
Ibex 35 plus futures	8,435,258	7,275,299	5,436,989	1,323,307	1,467,635	2,053,136	1,327,272	974,366
Ibex 35 mini futures	286,574	330,042	314,829	69,660	87,166	128,596	69,900	49,584
Call mini options	227,535	323,874	230,349	53,552	35,979	33,861	21,602	16,490
Put mini options	339,542	504,749	205,377	52,704	44,600	63,804	27,315	21,529
Stock products[5]	34,887,808	64,554,817	80,114,693	16,243,034	13,957,914	12,831,247	13,107,040	9,438,548
Futures	21,294,315	46,237,568	44,586,779	5,501,720	4,136,308	3,927,137	4,969,808	3,064,342
Call options	6,775,525	7,809,423	18,864,840	6,046,542	4,357,759	4,164,723	4,413,718	2,813,297
Put options	6,817,968	10,507,826	16,663,074	4,694,772	5,463,847	4,739,387	3,723,514	3,560,909
Pro-memoria: MEFF trading on Eurex								
Debt products[6]	1,059,113	869,105	558,848	138,338	137,861	103,847	59,521	45,685
Index products[7]	1,371,250	1,169,059	835,159	208,726	212,055	165,818	101,741	84,913

1 Available data: November 2010.

2 Contract size: 100 thousand euros.

3 The number of Ibex 35 mini futures (multiples of 1 euro) was standardised to the size of the Ibex 35 plus futures (multiples of 10 euro).

4 Contract size: Ibex 35, 10 euros.

5 Contract size: 100 Stocks.

6 Bund, Bobl and Schatz futures.

7 Dax 30, DJ EuroStoxx 50 and DJ Stoxx 50 futures.

1.3.2 Warrants, option buying and selling contracts, and ETF (Exchange Traded Funds)

Issues registered at the CNMV

TABLE 1.18

				2009	2010			
	2007	2008	2009	IV	I	II	III	IV[1]
WARRANTS[2]								
Premium amount (million euro)	8,920.3	12,234.4	5,165.1	1,252.0	1,324.5	1,602.0	761.4	615.5
On stocks	6,215.1	6,914.1	2,607.1	525.7	699.4	829.8	302.5	295.7
On indexes	2,311.2	4,542.8	2,000.1	614.4	491.5	613.0	367.3	219.2
Other underlyings[3]	394.0	777.5	558.0	111.9	133.6	159.3	91.6	100.5
Number of issues	7,005	9,790	7,342	1,616	2,164	2,417	1,260	1,172
Number of issuers	7	8	9	6	7	8	6	5
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	151.0	77.0	35.0	35.0	5.0	32.0	20.0	7.0
On stocks	145.0	77.0	25.0	25.0	5.0	32.0	10.0	7.0
On indexes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other underlyings[3]	6.0	0.0	10.0	10.0	0.0	0.0	10.0	0.0
Number of issues	9	4	3	3	1	3	2	1
Number of issuers	3	1	1	1	1	1	1	1

1 Available data: November 2010.

2 Includes issuance and trading prospectuses.

3 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.

Equity markets. Warrants and ETF trading

TABLE 1.19

				2009	2010			
	2007	2008	2009	IV	I	II	III	IV[1]
WARRANTS								
Trading (million euro)	5,129.6	2,943.7	1,768.4	382.0	335.5	503.6	397.9	249.2
On Spanish stocks	3,200.7	1,581.9	809.9	170.7	144.8	235.9	198.0	115.5
On foreign stocks	474.2	145.7	97.6	25.6	14.4	20.8	8.4	9.9
On indexes	1,376.6	1,063.3	761.2	160.4	159.9	229.6	169.2	96.0
Other underlyings[2]	78.1	152.8	99.7	25.2	16.4	17.3	22.4	27.7
Number of issues[3]	7,837	9,770	8,038	3,038	3,066	3,489	3,007	2,528
Number of issuers[3]	9	10	10	10	9	8	9	9
CERTIFICATES								
Trading (million euro)	49.8	16.8	39.2	9.7	6.5	4.1	7.8	2.1
Number of issues[3]	14	26	22	16	15	14	13	12
Number of issuers[3]	5	4	4	2	2	2	2	2
ETF								
Trading (million euro)	4,664.5	6,938.1	3,470.6	1,092.8	1,675.4	2,715.1	746.4	649.3
Number of funds	21	30	32	32	32	32	43	65
Assets[4] (million euro)	885.8	1,630.3	1,648.4	1,648.4	1,452.8	986.6	960.2	n.a.

1 Available data: November 2010.

2 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.

3 Issues or issuers which were traded in each period.

4 Assets from national collective investment schemes is only included because assets from foreign ones are not available.

n.a.: No available data.

1.3.3 Non-financial derivatives

Trading on MFAO[1]

TABLE 1.20

				2009	2010			
number of contracts	2007	2008	2009	IV	I	II	III	IV[2]
On olive oil								
Extra-virgin olive oil futures[3]	46,405	48,091	135,705	27,325	52,695	46,540	41,555	22,525

1 Olive oil futures market.

2 Available data: November 2010.

3 Nominal amount of the contract: 1,000 kg.

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

	2007	2008	2009	2009 IV	2010 I	II	III	IV[1]
BROKER-DEALERS								
Spanish firms	46	51	50	50	50	51	51	50
Branches	102	79	78	78	79	79	79	80
Agents	6,657	6,041	6,102	6,102	6,183	6,284	6,387	6,455
BROKERS								
Spanish firms	53	50	50	50	52	48	47	47
Branches	12	9	9	9	9	8	8	10
Agents	625	639	638	638	691	662	660	665
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	11	10	9	9	9	8	8	7
Branches	4	4	5	5	5	5	5	5
Agents	6	6	5	5	5	4	4	3
FINANCIAL ADVISORY FIRMS[2]								
Spanish firms	-	-	16	16	26	36	42	48
CREDIT INSTITUTIONS[3]								
Spanish firms	201	195	193	193	194	193	189	186

1 Available data: November 2010.

2 New type of investment services company, created by Law 47/2008, of 19 December, which modifies Law 24/1988, of 28 July, on the Securities Market, and regulated by Circular CR CNMV 10/2008, of 30 December.

3 Source: Banco de España.

Investment services. Foreign firms

TABLE 2.2

	2007	2008	2009	2009 IV	2010 I	II	III	IV[1]
Total	1,766	2,232	2,346	2,346	2,443	2,496	2,563	2,606
European Economic Area investment services firms	1,394	1,818	1,922	1,922	2,011	2,065	2,129	2,176
Branches	29	37	36	36	35	39	40	41
Free provision of services	1,365	1,781	1,886	1,886	1,976	2,026	2,089	2,135
Credit institutions[2]	372	414	424	424	432	431	434	430
From EU member states	363	405	414	414	422	421	424	420
Branches	52	56	53	53	54	56	56	54
Free provision of services	310	348	360	360	367	364	367	365
Subsidiaries of free provision of services institutions	1	1	1	1	1	1	1	1
From non-EU states	9	9	10	10	10	10	10	10
Branches	8	8	8	8	8	8	8	8
Free provision of services	1	1	2	2	2	2	2	2

1 Available data: November 2010.

2 Source: Banco de España and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

million euro	III 2009 Spanish organised markets	III 2009 Other Spanish markets	III 2009 Foreign markets	III 2009 Total	III 2010 Spanish organised markets	III 2010 Other Spanish markets	III 2010 Foreign markets	III 2010 Total
FIXED-INCOME								
Total	127,930	2,368,841	223,570	2,720,341	136,410	2,768,220	195,804	3,100,434
Broker-dealers	110,208	45,070	33,270	188,548	124,065	799,040	127,136	1,050,241
Brokers	17,722	2,323,771	190,300	2,531,793	12,345	1,969,180	68,668	2,050,193
EQUITY								
Total	263,663	1,278	14,852	279,793	206,292	933	16,668	223,893
Broker-dealers	249,796	1,092	12,815	263,703	201,963	846	15,507	218,316
Brokers	13,867	186	2,037	16,090	4,329	87	1,161	5,577

1 Period accumulated data.

Intermediation of derivative transactions[1,2]

TABLE 2.4

million euro	II 2009 Spanish organised markets	II 2009 Foreign organised markets	II 2009 Non-organised markets	II 2009 Total	II 2010 Spanish organised markets	II 2010 Foreign organised markets	II 2010 Non-organised markets	II 2010 Total
Total	747,306	1,417,180	507,142	2,671,628	671,498	1,707,379	533,839	2,912,716
Broker-dealers	708,031	1,222,386	26,152	1,956,569	667,283	1,425,146	460,169	2,552,598
Brokers	39,275	194,794	480,990	715,059	4,215	282,233	73,670	360,118

1 The amount of the buy and sell transactions of financial assets, financial futures on values and interest rates, and other transactions on interest rates will be the securities nominal or notional value or the principal to which the contract reaches. The amount of the transactions on options will be the strike price of the underlying asset multiplied by the number of instruments committed.

2 Period accumulated data.

Portfolio management. Number of portfolios and assets under management[1]

TABLE 2.5

	II 2009 Total	II 2009 IIC[2]	II 2009 Other[3]	II 2010 Total	II 2010 IIC[2]	II 2010 Other[3]
NUMBER OF PORTFOLIOS						
Total	12,677	142	12,535	13,228	147	13,081
Broker-dealers	6,723	66	6,657	7,685	77	7,608
Brokers	3,379	43	3,336	3,231	53	3,178
Portfolio management companies	2,575	33	2,542	2,312	17	2,295
ASSETS UNDER MANAGEMENT (thousand euro)						
Total	8,201,101	1,761,540	6,439,561	9,518,130	2,049,617	7,468,513
Broker-dealers	3,194,579	608,680	2,585,899	4,161,850	905,029	3,256,821
Brokers	2,159,902	884,523	1,275,379	2,346,861	972,907	1,373,954
Portfolio management companies	2,846,620	268,337	2,578,283	3,009,419	171,681	2,837,738

1 Data at the end of period.

2 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes. Includes both resident and non resident IIC management.

3 Includes the rest of clients, both covered and not covered by the Investment Guarantee Fund, an investor compensation scheme regulated by Royal Decree 948/2001.

Financial advice. Number of contracts and assets advised[1]

TABLE 2.6

	III 2009 Total[2]	III 2009 Retail clients	III 2009 Professional clients	III 2010 Total[2]	III 2010 Retail clients	III 2010 Professional clients
NUMBER OF CONTRACTS						
Total	2,972	2,906	62	5,261	5,186	72
Broker-dealers	63	56	4	1,200	1,192	5
Brokers	2,422	2,372	49	3,257	3,201	56
Portfolio management companies	487	478	9	804	793	11
ASSETS ADVISED (thousand euro)						
Total	6,244,920	1,482,138	4,249,573	7,023,532	2,266,041	4,395,489
Broker-dealers	947,304	271,992	189,020	1,131,820	548,967	220,851
Brokers	1,938,083	919,213	991,953	2,251,072	1,323,085	927,987
Portfolio management companies	3,359,533	290,933	3,068,600	3,640,640	393,989	3,246,651

1 Data at the end of period.

2 Includes retail, professional and other clients.

Aggregated income statement. Broker-dealers[1]

TABLE 2.7

thousand euro[2]	2007	2008	2009	2009 IV	2010 I	II	III	IV[3]
I. Interest income	-29,968	109,682	163,272	163,272	7,810	43,915	79,231	83,321
II. Net commission	893,803	674,204	562,082	562,082	131,174	279,871	391,165	433,736
Commission revenues	1,181,772	943,619	782,214	782,214	195,160	423,657	593,521	655,147
Brokering	775,418	648,036	548,362	548,362	137,816	306,583	420,088	459,337
Placement and underwriting	62,145	42,502	26,326	26,326	772	2,906	4,314	5,144
Securities deposit and recording	25,351	21,198	16,183	16,183	4,054	11,218	16,775	18,631
Portfolio management	29,649	17,306	11,768	11,768	3,043	6,366	10,044	11,159
Design and advising	65,083	56,671	60,477	60,477	14,069	27,094	38,344	44,021
Stocks search and placement	9	12	10	10	7	7	36	36
Market credit transactions	23	19	14	14	2	5	8	8
IIC marketing[4]	138,481	91,167	63,341	63,341	16,388	32,261	48,242	53,863
Other	85,613	66,708	55,733	55,733	19,009	37,217	55,672	62,947
Commission expenses	287,969	269,415	220,133	220,133	63,986	143,785	202,356	221,411
III. Financial investment income[5]	-239,572	800,194	45,266	45,266	-4,943	76,990	9,841	7,244
IV. Net exchange differences and other operating products and expenses	486,643	-626,527	21,820	21,820	41,152	-36,773	39,867	44,327
V. Gross income	1,110,906	957,553	792,440	792,440	175,192	364,004	520,104	568,627
VI. Operating income	587,354	434,209	339,706	339,706	72,507	149,310	197,788	209,495
VII. Earnings from continuous activities	540,390	365,374	250,984	250,984	64,583	132,181	173,280	182,903
VIII. Net earnings of the period	540,390	367,665	250,984	250,984	64,583	132,181	173,280	182,903

1 From IV quarter 2008 on data come from information sent to the CNMV by investment services companies (ESIs) according to the new accounting regulation CR CNMV 7/2008. With the aim of keeping the continuity of time series, some changes have been introduced in previous quarters.

2 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.

3 Available data: October 2010.

4 Before IV quarter 2008 it refers to "IIC subscription and redemption".

5 Previously named "Net income from securities trading". Does not include provisions for losses in value of securities portfolio, nor their recovering and application. These items are included in "Operating income".

Results of proprietary trading. Broker-dealers

TABLE 2.8

	Total		Interest income		Financial investment income[1]		Exchange differences and other items[2]	
thousand euro[3]	III 2009	III 2010	III 2009	III 2010	III 2009	III 2010	III 2009	III 2010
Total	243,767	133,659	132,653	79,231	56,609	9,841	54,506	44,586
Money market assets and public debt	5,636	12,124	622	3,665	5,014	8,459	-	-
Other fixed-income securities	-167,298	64,716	65,677	14,079	-232,975	50,637	-	-
Domestic portfolio	-172,979	54,883	63,936	13,090	-236,914	41,793	-	-
Foreign portfolio	5,681	9,833	1,741	989	3,940	8,844	-	-
Equities	820,408	290,910	67,455	61,507	752,953	229,403	-	-
Domestic portfolio	242,917	-12,594	41,806	44,332	201,111	-56,925	-	-
Foreign portfolio	577,491	303,504	25,649	17,175	551,842	286,329	-	-
Derivatives	-461,173	-278,971	-	-	-461,173	-278,971	-	-
Repurchase agreements	-19,522	-1,331	-19,522	-1,331	-	-	-	-
Market credit transactions	1	0	1	0	-	-	-	-
Deposits and other transactions with financial Intermediaries	1,694	227	1,694	227	-	-	-	-
Net exchange differences	-8,426	38,118	-	-	-	-	-8,426	38,118
Other operating products and expenses	10,123	1,748	-	-	-	-	10,123	1,748
Other transactions	62,324	6,118	16,726	1,085	-7,210	313	52,808	4,719

1 Financial investment income does not include provisions for losses in value of securities portfolio, nor their recovering and application.

2 Former column "Other charges" has been replaced by a new column which includes, besides provisions for risks, net exchange results and other operating products and expenses.

3 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.

Aggregated income statement. Brokers[1]

TABLE 2.9

thousand euro[2]	2007	2008	2009	2009 IV	2010 I	II	III	IV[3]
I. Interest income	14,395	7,980	2,652	2,652	191	732	1,099	1,214
II. Net commission	237,403	149,874	127,410	127,410	33,173	56,876	80,234	88,485
Commission revenues	310,892	172,344	144,373	144,373	37,586	65,412	92,624	102,106
Brokering	131,976	62,345	53,988	53,988	13,953	21,791	29,565	32,159
Placement and underwriting	2,501	4,847	2,989	2,989	272	610	1,368	1,452
Securities deposit and recording	1,680	676	509	509	94	186	276	310
Portfolio management	27,457	21,137	19,633	19,633	4,704	8,808	13,861	15,010
Design and advising	2,224	4,962	2,806	2,806	719	2,032	1,972	2,810
Stocks search and placement	0	0	0	0	115	115	128	145
Market credit transactions	0	10	28	28	354	10	26	27
IIC marketing[4]	74,918	31,287	23,966	23,966	6,613	12,004	17,611	19,571
Other	70,136	47,081	40,453	40,453	10,763	19,855	27,816	30,621
Commission expenses	73,489	22,470	16,963	16,963	4,412	8,536	12,390	13,621
III. Financial investment income[5]	2,212	-1,176	1,709	1,709	-37	-104	23	64
IV. Net exchange differences and other operating products and expenses	-407	3,526	-1,111	-1,111	-101	-376	-955	-1,079
V. Gross income	253,603	160,204	130,661	130,661	33,226	57,128	80,400	88,684
VI. Operating income	85,423	20,377	9,090	9,090	4,461	4,894	6,330	6,737
VII. Earnings from continuous activities	86,017	14,372	4,862	4,862	4,088	4,443	5,700	6,054
VIII. Net earnings of the period	86,017	14,372	4,862	4,862	4,088	4,443	5,700	6,054

1 From IV quarter 2008 on data come from information sent to the CNMV by investment services companies (ESI) according to the new accounting regulation CR CNMV 7/2008. With the aim of keeping the continuity of time series, some changes have been introduced in previous quarters.

2 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.

3 Available data: October 2010.

4 Before IV quarter 2008 it refers to "IIC subscription and redemption".

5 Previously named "Net income from securities trading". Does not include provisions for losses in value of securities portfolio, nor their recovering and application. These items are included in "Operating income".

Aggregated income statement. Portfolio management companies[1]

TABLE 2.10

thousand euro[2]	2007	2008	2009	2009 IV	2010 I	II	III	IV[3]
I. Interest income	1,442	1,482	341	341	63	165	274	326
II. Net commission	15,501	12,044	10,734	10,734	3,333	5,967	8,393	9,274
Commission revenues	27,340	23,877	21,750	21,750	6,085	11,440	16,559	18,358
Portfolio management	24,239	20,683	18,463	18,463	4,642	9,218	13,645	15,274
Design and advising	2,614	2,484	2,698	2,698	1,289	1,921	1,101	1,226
IIC marketing[4]	34	66	18	18	17	26	34	34
Other	453	644	571	571	138	275	1,779	1,825
Commission expenses	11,839	11,833	11,016	11,016	2,752	5,473	8,167	9,084
III. Financial investment income[5]	96	-108	92	92	-11	65	96	103
IV. Net exchange differences and other operating products and expenses	-37	-418	-383	-383	-111	-157	-265	-281
V. Gross income	17,002	13,000	10,784	10,784	3,275	6,040	8,497	9,421
VI. Operating income	6,896	1,157	1,296	1,296	806	1,411	1,189	1,506
VII. Earnings from continuous activities	4,837	765	889	889	724	1,170	1,009	1,217
VIII. Net earnings of the period	4,837	765	889	889	724	1,170	1,009	1,217

1 From IV quarter 2008 on data come from information sent to the CNMV by investment services companies (ESIs) according to the new accounting regulation CR CNMV 7/2008. With the aim of keeping the continuity of time series, some changes have been introduced in previous quarters.

2 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.

3 Available data: October 2010.

4 Before IV quarter 2008 it refers to "IIC subscription and redemption".

5 Previously named "Net income from securities trading". Does not include provisions for losses in value of securities portfolio, nor their recovering and application. These items are included in "Operating income".

Surplus equity over capital adequacy requirements[1,2]

TABLE 2.11

thousand euro	Surplus: Total amount	Surplus: %[3]	Number of companies according to its surplus percentage: < 50	<100	<150	<200	<300	<400	<500	<750	<1000	>1000
Total	1,335,535	253.62	16	15	13	13	16	7	8	8	6	4
Broker-dealers	1,249,305	262.32	5	5	3	6	11	7	4	4	4	2
Brokers	64,386	183.05	10	8	9	6	4	0	4	4	2	0
Portfolio management companies	21,844	144.05	1	2	1	1	1	0	0	0	0	2

1 Available data: September 2010.

2 Data collected from information reported according to new Circular CR CNMV 12/2008 on investment services companies solvency.

3 Average percentage is weighted by the required equity of each company. It is an indicator of the number of times, in percentage terms, that the surplus contains the required equity in an average company.

Return on equity (ROE) before taxes[1,2]

TABLE 2.12

	Average[3]	Number of companies according to its annualized return: Losses	0-5%	6-15%	16-30%	31-45%	46-60%	61-75%	76-100%	>100%
Total	13.51	32	19	23	9	9	7	1	1	5
Broker-dealers	14.02	14	8	13	6	4	2	1	0	3
Brokers	7.92	17	7	9	2	5	4	0	1	2
Portfolio management companies	3.98	1	4	1	1	0	1	0	0	0

1 ROE has been calculated as:

$$ROE = \frac{Earnings\ before\ taxes\ (annualized)}{Own\ Funds}$$

Own Funds= Share capital + Paid-in surplus + Reserves – Own shares + Prior year profits and retained earnings – Interim dividend.

2 Available data: September 2010.

3 Average weighted by equity, %.

3 Collective investment schemes (IIC)[a,b,c,d,e]

Number, management companies and depositories of collective investment schemes registered at the CNMV

TABLE 3.1

				2009	2010			
	2007	2008	2009	IV	I	II	III	IV[1]
Total financial IIC	6,296	6,354	5,892	5,892	5,808	5,724	5,700	5,666
Mutual funds	2,954	2,943	2,593	2,593	2,534	2,464	2,452	2,446
Investment companies	3,290	3,347	3,232	3,232	3,206	3,195	3,182	3,155
Funds of hedge funds	31	40	38	38	37	34	33	33
Hedge funds	21	24	29	29	31	31	33	32
Total real estate IIC	18	18	16	16	16	16	16	16
Real estate investment funds	9	9	8	8	8	8	8	8
Real estate investment companies	9	9	8	8	8	8	8	8
Total foreign IIC marketed in Spain	440	563	582	582	615	636	648	658
Foreign funds marketed in Spain	225	312	324	324	353	365	374	378
Foreign companies marketed in Spain	215	251	258	258	262	271	274	280
Management companies	120	120	120	120	122	124	123	122
IIC depositories	126	125	124	124	123	122	124	116

1 Available data: November 2010.

Number of IIC investors and shareholders

TABLE 3.2

				2009		2010		
	2007	2008	2009	III	IV	I	II	III[1]
Total financial IIC	8,487,205	6,358,753	5,895,009	5,878,215	5,895,009	5,907,673	5,841,721	5,765,196
Mutual funds	8,053,049	5,923,352	5,475,403	5,461,473	5,475,403	5,489,598	5,423,206	5,348,482
Investment companies	434,156	435,401	419,606	416,742	419,606	418,075	419,307	416,714
Total real estate IIC	146,353	98,327	84,511	88,832	84,511	82,574	77,714	77,116
Real estate investment funds	145,510	97,390	83,583	87,903	83,583	81,647	76,772	76,182
Real estate investment companies	843	937	928	929	928	927	942	934
Total foreign IIC marketed in Spain	850,931	593,488	685,094	613,561	685,094	748,749	791,378	811,077
Foreign funds marketed in Spain	142,782	102,922	139,102	123,575	139,102	157,027	181,038	186,615
Foreign companies marketed in Spain	708,149	490,566	545,992	489,986	545,992	591,722	610,340	624,462

1 Provisional data for foreign IIC. Foreign IIC send this information quarterly.

IIC total net assets

TABLE 3.3

				2009		2010		
million euro	2007	2008	2009	III	IV	I	II	III[1]
Total financial IIC	286,522.40	200,522.4	196,472.5	195,352.4	196,472.5	193,941.8	180,899.1	178,778.0
Mutual funds[2]	255,040.9	175,865.5	170,547.7	169,458.4	170,547.7	167,524.3	155,295.5	152,646.5
Investment companies	31,481.5	24,656.9	25,924.8	25,894.0	25,924.8	26,417.5	25,602.6	26,131.5
Total real estate IIC	9,121.4	7,778.8	6,773.7	6,807.3	6,773.7	6,668.4	6,606.6	6,524.2
Real estate investment funds	8,608.5	7,406.9	6,465.1	6,494.3	6,465.1	6,363.7	6,279.6	6,201.5
Real estate investment companies	512.9	371.9	308.6	313.0	308.6	304.6	327.0	322.7
Total foreign IIC marketed in Spain	37,092.7	18,254.8	25,207.2	20,684.8	25,207.2	30,864.9	32,364.8	32,816.0
Foreign funds marketed in Spain	7,010.3	3,352.0	5,215.1	4,410.2	5,215.1	6,519.3	7,477.2	7,643.8
Foreign companies marketed in Spain	30,082.4	14,902.8	19,992.0	16,274.6	19,992.0	24,345.6	24,887.7	25,172.2

1 Provisional data for foreign IIC. Foreign IIC send this information quarterly.

2 For September 2010, mutual funds investments in financial IIC reached 8.3 billion euro.

a IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

b In this document, neither hedge funds nor funds of hedge funds are included in the figures referred to mutual funds.

c Due to the entry into force, on 31 December 2008, of CR CNMV 3/2008 and CR CNMV 7/2008, which modify accounting information to be reported to CNMV, data has been adapted to new regulation.

d From 2009-II Bulletin on, hedge funds and funds of hedge funds data is shown on table 3.12.

e From March 2009 on, foreign collective investments schemes shareholders and total net assets data do not include exchange traded funds (ETF).

Mutual funds asset allocation[1]

TABLE 3.4

				2009		2010		
million euro	2007	2008	2009	III	IV	I	II	III
Asset	255,040.9	175,865.5	170,547.7	169,458.4	170,547.7	167,524.3	155,295.5	152,646.4
Portfolio investment	239,266.6	166,384.7	163,165.5	161,747.5	163,165.5	160,119.6	148,166.2	144,724.3
Domestic securities	134,564.1	107,347.7	100,642.6	101,271.4	100,642.6	96,322.9	92,605.7	91,422.4
Debt securities	103,798.8	81,904.6	74,628.9	76,391.7	74,628.9	71,916.5	69,173.9	68,366.9
Shares	11,550.1	4,023.2	4,741.0	4,453.4	4,741.0	4,384.1	3,611.2	3,994.8
Investment collective schemes	18,662.1	10,134.3	9,041.5	8,122.9	9,041.5	8,930.1	8,876.9	8,424.5
Deposits in Credit institutions	-	10,657.6	11,552.2	11,681.3	11,552.2	10,531.5	10,508.4	10,167.6
Derivatives	553.2	627.9	679.0	622.2	679.0	560.7	435.3	467.6
Other	-	0.1	0.0	0.0	0.0	0.0	0.0	1.0
Foreign securities	104,702.5	59,035.2	62,487.1	60,440.8	62,487.1	63,745.9	55,515.6	53,263.0
Debt securities	66,604.8	49,659.8	48,435.3	48,807.6	48,435.3	47,491.3	39,619.4	36,499.7
Shares	16,731.6	5,216.1	7,783.2	6,655.1	7,783.2	8,291.3	7,615.6	8,003.2
Investment collective schemes	16,924.4	3,524.5	5,666.4	4,444.6	5,666.4	7,398.7	7,845.0	8,254.3
Deposits in Credit institutions	-	17.5	82.4	27.4	82.4	79.9	81.5	73.1
Derivatives	4,441.7	599.5	518.7	505.1	518.7	483.6	349.2	427.4
Other	-	17.8	1.1	1.0	1.1	1.2	5.0	5.4
Doubtful assets and matured investment	-	1.8	35.8	35.3	35.8	49.9	44.9	38.9
Intangible assets	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash	15,413.5	8,703.2	7,267.7	7,456.9	7,267.7	7,350.8	6,817.4	7,933.3
Net balance (Debtors - Creditors)	360.8	777.7	114.5	254.0	114.5	53.9	311.9	-11.2

1 Hedge funds and funds of hedge funds are not included in these figures due to the entry into force, on 31 December 2008, of Circular CR CNMV 3/2008 which establishes a different deadline in reporting accounting information to CNMV.

Investment companies asset allocation

TABLE 3.5

				2009		2010		
million euro	2007	2008	2009	III	IV	I	II	III
Asset	31,481.5	24,656.9	25,924.8	25,894.0	25,924.8	26,417.5	25,602.6	26,131.5
Portfolio investment	30,037.4	23,446.9	24,813.5	24,849.6	24,813.5	25,334.6	24,471.5	25,015.5
Domestic securities	17,075.3	16,176.3	13,514.3	14,458.1	13,514.3	12,908.6	12,390.0	13,036.9
Debt securities	9,516.5	10,435.1	7,400.5	8,237.3	7,400.5	6,744.2	5,840.4	5,717.5
Shares	6,174.4	3,214.9	3,376.3	3,363.8	3,376.3	3,153.2	2,754.0	2,945.3
Investment collective schemes	1,362.3	1,108.8	1,091.1	1,171.2	1,091.1	987.1	831.9	807.6
Deposits in Credit institutions	-	1,383.5	1,631.5	1,666.0	1,631.5	2,014.0	2,963.0	3,546.8
Derivatives	22.1	9.8	-6.6	-4.3	-6.6	-11.8	-22.4	-5.8
Other	-	24.4	21.7	24.1	21.7	22.0	23.1	25.7
Foreign securities	12,962.2	7,267.8	11,294.2	10,385.7	11,294.2	12,419.9	12,075.1	11,970.8
Debt securities	2,189.9	2,609.6	4,606.6	4,502.2	4,606.6	4,681.7	4,340.4	4,001.8
Shares	5,120.0	2,014.6	3,559.3	3,099.6	3,559.3	4,002.4	3,793.3	3,852.6
Investment collective schemes	5,426.7	2,486.4	2,987.4	2,638.4	2,987.4	3,611.3	3,807.1	3,930.4
Deposits in Credit institutions	-	28.9	26.3	30.3	26.3	16.8	18.0	44.5
Derivatives	225.6	120.5	113.0	113.7	113.0	105.3	108.3	134.9
Other	-	7.8	1.6	1.6	1.6	2.4	8.0	6.6
Doubtful assets and matured investment	-	2.8	4.9	5.8	4.9	6.2	6.4	7.7
Intangible assets	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	-	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cash	1,182.2	1,021.0	976.4	970.2	976.4	919.9	896.0	903.3
Net balance (Debtors - Creditors)	261.8	188.8	134.8	74.0	134.8	162.8	235.0	212.6

Financial mutual funds: number, investors and total net assets by category[1]

TABLE 3.6

				2009		2010		
	2007	2008	2009	III	IV	I	II	III
NO. OF FUNDS								
Total financial mutual funds	2,926	2,912	2,536	2,628	2,536	2,500	2,436	2,421
Fixed-income[2]	600	629	582	598	582	567	547	540
Mixed fixed-income[3]	204	195	169	171	169	171	168	162
Mixed equity[4]	207	202	165	174	165	161	143	140
Euro equity[5]	247	237	182	185	182	179	179	174
Foreign equity[6]	357	330	242	252	242	239	233	233
Guaranteed fixed-income	251	260	233	241	233	239	251	261
Guaranteed equity[7]	590	590	561	593	561	549	530	518
Global funds	470	469	187	193	187	182	181	189
Passive management[8]	-	-	69	69	69	66	64	61
Absolute return[8]	-	-	146	152	146	147	140	143
INVESTORS								
Total financial mutual funds	8,053,049	5,923,346	5,475,403	5,461,473	5,475,403	5,489,598	5,423,206	5,348,482
Fixed-income[2]	2,763,442	2,204,652	2,041,487	2,042,556	2,041,487	1,994,558	1,865,575	1,745,366
Mixed fixed-income[3]	493,786	277,629	290,151	254,599	290,151	298,542	295,325	280,230
Mixed equity[4]	331,214	209,782	182,542	184,985	182,542	180,722	185,111	182,860
Euro equity[5]	577,522	377,545	299,353	277,093	299,353	290,734	280,529	280,566
Foreign equity[6]	800,556	467,691	458,097	434,299	458,097	478,952	487,813	502,463
Guaranteed fixed-income	549,108	538,799	570,963	550,041	570,963	617,901	690,600	762,369
Guaranteed equity[7]	1,715,144	1,402,948	1,188,304	1,272,792	1,188,304	1,153,385	1,142,072	1,115,180
Global funds	822,277	444,300	88,337	79,288	88,337	94,630	99,163	110,538
Passive management[8]	-	-	85,403	97,399	85,403	92,352	97,949	93,049
Absolute return[8]	-	-	270,766	268,421	270,766	287,822	279,069	275,861
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	255,040.9	175,865.2	170,547.7	169,458.4	170,547.7	167,524.3	155,295.5	152,646.5
Fixed-income[2]	113,234.1	92,813.1	84,657.2	85,913.9	84,657.2	79,655.6	69,654.5	64,102.1
Mixed fixed-income[3]	13,011.9	5,803.0	8,695.5	6,322.4	8,695.5	8,867.1	8,264.2	8,109.9
Mixed equity[4]	8,848.0	3,958.8	3,879.6	3,812.4	3,879.6	3,930.7	3,441.5	3,520.2
Euro equity[5]	16,589.7	5,936.9	6,321.6	6,094.1	6,321.6	6,017.6	5,181.2	5,504.4
Foreign equity[6]	13,948.0	4,256.6	5,902.4	5,020.9	5,902.4	6,869.4	6,682.5	7,203.6
Guaranteed fixed-income	17,674.4	21,281.6	21,033.4	21,322.7	21,033.4	22,047.8	23,520.3	25,795.6
Guaranteed equity[7]	42,042.1	30,742.4	25,665.8	27,857.4	25,665.8	24,814.2	23,981.7	23,600.0
Global funds	29,692.6	11,072.8	3,872.5	3,400.4	3,872.5	4,130.3	3,991.1	4,093.9
Passive management[8]	-	-	3,216.6	3,066.3	3,216.6	2,971.9	2,350.2	2,323.6
Absolute return[8]	-	-	7,303.0	6,647.7	7,303.0	8,219.9	8,228.4	8,393.2

1 Mutual funds that have sent reports to the CNMV (therefore mutual funds in a process of dissolution or liquidation are not included).

2 Until I 2009 this category includes: Short-term fixed income, Long-term fixed income, Foreign fixed-income and Monetary market funds. From II 2009 on includes: Fixed income euro, Foreign fixed-income and Monetary market funds.

3 Until I 2009 this category includes: Mixed fixed-income and Foreign mixed fixed-income. From II 2009 on includes: Mixed euro fixed-income and Foreign mixed fixed-income.

4 Until I 2009 this category includes: Mixed equity and Foreign mixed equity. From II 2009 on includes: Mixed euro equity and Foreign mixed equity.

5 Until I 2009 this category includes: Spanish equity and Euro Equity. From II 2009 on includes: Euro equity (which includes domestic equity).

6 Until I 2009 this category includes: Foreign equity Europe, Foreign equity Japan, Foreign equity USA, Foreign equity emerging countries and Other foreign equity. From II 2009 on includes: Foreign equity.

7 Until I 2009 this category includes: Guaranteed equity. From II 2009 on includes: Guaranteed equity and partial guarantee.

8 New categories from II 2009 on. Before it, absolute return funds were classified as global Funds.

Financial mutual funds: Detail of investors and total net assets by type of investors[1]

TABLE 3.7

				2009		2010		
	2007	2008	2009	III	IV	I	II	III
INVESTORS	8,053,049	5,923,352	5,475,403	5,461,473	5,475,403	5,489,598	5,423,206	5,348,482
Individuals	7,814,633	5,754,049	5,322,214	5,309,003	5,322,214	5,334,304	5,272,045	5,201,280
Residents	7,721,427	5,677,123	5,252,126	5,238,302	5,252,126	5,264,655	5,203,616	5,134,665
Non-residents	93,206	76,926	70,088	70,701	70,088	69,649	68,429	66,615
Legal entities	238,416	169,303	153,189	152,470	153,189	155,294	151,161	147,202
Credit Institutions	2,235	1,713	674	673	674	631	582	568
Other resident Institutions	234,376	166,041	151,479	150,398	151,479	153,637	149,581	145,690
Non-resident Institutions	1,805	1,549	1,036	1,399	1,036	1,026	998	944
TOTAL NET ASSETS (million euro)	255,041.0	175,865.5	170,547.7	169,458.4	170,547.7	167,524.3	155,295.5	152,646.5
Individuals	190,512.2	135,756.2	132,860.5	133,194.9	132,860.5	130,952.8	121,762.4	119,808.6
Residents	187,746.8	133,878.1	130,954.4	131,331.5	130,954.4	129,010.4	119,898.1	117,961.2
Non-residents	2,765.4	1,878.1	1,906.0	1,863.4	1,906.0	1,942.4	1,864.3	1,847.3
Legal entities	64,528.7	40,109.3	37,687.2	36,263.5	37,687.2	36,571.4	33,533.9	32,838.1
Credit Institutions	5,721.0	4,193.0	2,572.0	2,455.5	2,572.0	2,437.5	2,145.0	2,152.9
Other resident Institutions	56,974.4	34,738.0	34,065.1	32,833.8	34,065.1	33,287.2	30,614.8	29,926.8
Non-resident Institutions	1,833.3	1,178.4	1,050.1	974.1	1,050.1	846.7	774.1	758.5

1 Hedge funds and funds of hedge funds are not included.

Subscriptions and redemptions of financial mutual funds by category[1]

TABLE 3.8

				2009		2010		
million euro	2007	2008	2009[2]	III	IV	I	II	III
SUBSCRIPTIONS								
Total financial mutual funds	180,943.1	135,461.7	109,915.2	28,762.9	33,164.3	25,226.0	24,397.6	13,395.6
Fixed-income	116,323.9	101,909.7	73,718.8	19,696.6	20,150.3	15,240.8	13,620.5	6,206.7
Mixed fixed-income	5,859.4	1,914.5	5,267.6	1,081.7	3,309.0	1,243.5	1,255.4	571.7
Mixed equity	2,749.8	1,350.2	1,135.4	541.5	366.6	292.1	556.5	118.5
Euro equity	9,625.7	2,858.0	2,183.8	589.2	743.2	582.5	464.0	291.1
Foreign equity	11,408.2	3,309.6	2,929.5	775.0	1,165.3	1,259.1	1,190.3	778.5
Guaranteed fixed-income	9,161.3	11,937.0	11,755.4	2,544.8	2,246.8	2,359.6	3,244.1	3,403.9
Guaranteed equity	8,070.6	6,544.7	5,589.1	1,683.7	1,899.6	1,607.4	1,576.3	726.8
Global funds	17,744.2	5,638.0	2,754.4	389.4	792.9	545.0	440.6	265.4
Passive management	-	-	535.5	204.4	269.0	242.6	271.1	73.7
Absolute return	-	-	4,045.7	1,256.4	2,221.5	1,853.3	1,778.8	959.1
REDEMPTIONS								
Total financial mutual funds	202,827.1	202,864.1	122,617.50	30,511.1	32,945.1	28,324.7	33,041.1	18,442.3
Fixed-income	122,178.3	124,242.9	81,197.6	20,090.1	21,710.4	19,940.5	22,951.2	12,006.3
Mixed fixed-income	7,809.6	8,136.6	2,724.4	576.6	792.3	1,106.0	1,653.8	812.4
Mixed equity	4,023.0	4,675.6	1,596.5	554.2	264.9	225.7	601.2	168.0
Euro equity	12,438.0	8,617.2	2,457.8	455.6	734.9	709.6	673.9	452.4
Foreign equity	14,358.4	8,657.3	2,165.3	457.5	609.5	704.9	991.1	625.5
Guaranteed fixed-income	6,430.6	9,499.1	15,004.5	4,046.6	4,070.5	2,135.7	1,529.0	1,414.2
Guaranteed equity	11,602.6	18,216.4	10,990.8	3,100.2	2,574.1	1,818.0	1,852.4	1,399.8
Global funds	23,986.6	20,819.0	2,548.6	141.6	280.5	269.3	461.1	382.9
Passive management	-	-	708.0	164.3	235.9	396.2	682.1	141.6
Absolute return	-	-	3,224.0	924.6	1,672.1	1,018.9	1,645.3	1,039.3

1 Estimated data.

2 For Passive Management and absolute return, data refers to the last three quarters of the year.

Financial mutual funds asset change by category: Net subscriptions/redemptions and return on assets[1]

TABLE 3.9

				2009		2010		
million euro	2007	2008	2009[2]	III	IV	I	II	III
NET SUBSCRIPTIONS/REDEMPTIONS[3]								
Total financial mutual funds	-21,884.0	-67,402.4	-12,702.3	-1,748.2	219.1	-3,098.8	-8,643.6	-5,046.8
Fixed-income	-5,854.4	-22,333.2	-7,478.8	-393.5	-1,560.1	-4,699.7	-9,330.7	-5,799.6
Mixed fixed-income	-1,950.2	-6,222.1	2,543.2	505.2	2,516.7	137.5	-398.4	-240.7
Mixed equity	-1,273.2	-3,325.4	-461.1	-12.6	101.7	66.5	-44.7	-49.4
Euro equity	-2,812.3	-5,759.2	-274.0	133.7	8.3	-127.1	-210.0	-161.2
Foreign equity	-2,950.2	-5,347.7	764.2	317.6	555.9	554.2	199.2	153.1
Guaranteed fixed-income	2,730.7	2,437.9	-3,249.1	-1,501.8	-1,823.7	223.8	1,715.1	1,989.8
Guaranteed equity	-3,532.0	-11,671.7	-5,401.7	-1,416.5	-674.5	-210.6	-276.1	-673.0
Global funds	-6,242.4	-15,181.0	205.8	247.8	512.3	275.7	-20.5	-117.5
Passive management	-	-	-172.5	40.1	33.1	-153.6	-411.1	-67.9
Absolute return	-	-	821.7	331.9	549.4	834.4	133.5	-80.3
RETURN ON ASSETS								
Total financial mutual funds	6,675.6	-11,988.0	8,389.8	4,022.8	1,364.5	930.1	-3,097.2	2,418.3
Fixed-income	3,082.8	1,927.7	1,535.3	657.9	192.4	359.6	-486.4	409.7
Mixed fixed-income	287.0	-716.8	507.9	229.7	160.6	34.1	-194.3	148
Mixed equity	266.1	-1,589.0	529.9	346.4	76.6	-10.0	-227.6	158.1
Euro equity	1,072.5	-5,172.6	1,477.1	981.7	195.0	-184.3	-638.6	509.2
Foreign equity	21.0	-4,092.4	1,309.0	606.0	354.6	346.4	-390.0	342.8
Guaranteed fixed-income	441.5	597.6	830.5	206.0	87.5	213.6	-286.3	229.7
Guaranteed equity	1,037.0	-1,310.4	1,024.0	381.2	43.0	94.7	-438.4	266.4
Global funds	467.7	-1,632.1	272.2	152.7	67.3	55.6	-121.9	109.4
Passive management	-	-	657.8	330.3	134.5	-52.8	-205.1	144.7
Absolute return	-	-	246.4	131.0	53.2	73.3	-108.4	100.2

1 Mutual funds that have sent reports to the CNMV (therefore mutual funds in a process of dissolution or liquidation are not included).

2 The data refers to the last three quarters of the year for Passive Management and absolute return categories.

3 Estimated data.

Financial mutual funds return on assets. Detail by category

TABLE 3.10

% of daily average total net assets	2007	2008	2009[1]	2009 III	2009 IV	2010 I	2010 II	2010 III
MANAGEMENT YIELDS								
Total financial mutual funds	3.45	-4.09	6.13	2.71	1.09	0.80	-1.67	1.82
Fixed-income	3.32	2.53	2.69	0.99	0.44	0.62	-0.47	0.81
Mixed fixed-income	2.98	-5.75	9.34	4.43	2.46	0.71	-1.94	2.13
Mixed equity	4.25	-23.30	16.44	9.99	2.45	0.24	-5.96	4.95
Euro equity	7.04	-47.02	31.02	18.78	3.73	-2.57	-10.85	9.84
Foreign equity	2.00	-49.55	33.16	14.22	7.23	6.06	-5.08	5.48
Guaranteed fixed-income	3.25	3.39	4.10	0.99	0.57	1.15	-1.10	1.05
Guaranteed equity	3.65	-1.88	5.08	1.74	0.49	0.70	-1.50	1.44
Global funds	2.57	-7.36	10.82	5.17	2.16	1.71	-2.67	2.97
Passive management	-	-	-	11.63	4.60	-1.54	-7.34	6.43
Absolute return	-	-	-	2.44	1.11	1.25	-1.04	1.48
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	1.00	0.87	0.87	0.23	0.23	0.22	0.22	0.23
Fixed-income	0.61	0.58	0.63	0.16	0.17	0.16	0.16	0.16
Mixed fixed-income	1.13	1.14	1.14	0.31	0.31	0.29	0.29	0.30
Mixed equity	1.54	1.54	1.58	0.40	0.40	0.38	0.39	0.41
Euro equity	1.65	1.60	1.75	0.45	0.45	0.43	0.43	0.45
Foreign equity	1.79	1.69	1.79	0.45	0.47	0.46	0.42	0.45
Guaranteed fixed-income	0.62	0.49	0.65	0.15	0.16	0.14	0.15	0.16
Guaranteed equity	1.30	1.29	1.26	0.34	0.31	0.29	0.30	0.30
Global funds	1.16	1.04	1.08	0.31	0.27	0.27	0.22	0.27
Passive management	-	-	-	0.17	0.17	0.16	0.16	0.18
Absolute return	-	-	-	0.30	0.29	0.28	0.25	0.26
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.09	0.08	0.09	0.02	0.02	0.02	0.02	0.02
Fixed-income	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Mixed fixed-income	0.09	0.09	0.09	0.02	0.02	0.02	0.02	0.03
Mixed equity	0.10	0.11	0.10	0.03	0.03	0.03	0.03	0.03
Euro equity	0.10	0.10	0.10	0.02	0.03	0.02	0.03	0.03
Foreign equity	0.12	0.12	0.12	0.03	0.03	0.03	0.03	0.03
Guaranteed fixed-income	0.08	0.07	0.08	0.02	0.02	0.02	0.02	0.02
Guaranteed equity	0.10	0.11	0.11	0.03	0.03	0.02	0.02	0.02
Global funds	0.10	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Passive management	-	-	-	0.02	0.02	0.02	0.02	0.02
Absolute return	-	-	-	0.02	0.02	0.02	0.02	0.02

1 Passive management and absolute annual returns are not included because they are new categories from II 2009 on.

Mutual fund quarterly returns. Detail by category

TABLE 3.11

in %	2007	2008	2009[1]	2009 III	2009 IV	2010 I	2010 II	2010 III
Total financial mutual funds	2.73	-4.21	5.73	2.80	0.73	0.61	-1.83	1.64
Fixed-income	2.68	2.06	1.91	0.88	0.24	0.46	-0.62	0.63
Mixed fixed-income	2.01	-7.14	6.85	4.18	0.63	0.42	-2.18	1.82
Mixed equity	2.79	-22.21	16.47	10.18	1.99	-0.14	-6.00	4.67
Euro equity	6.05	-39.78	32.41	19.76	3.06	-2.57	-10.66	10.11
Foreign equity	1.31	-41.71	37.28	15.15	6.30	5.63	-4.97	5.35
Guaranteed fixed-income	2.80	3.29	3.81	1.31	0.37	0.98	-1.24	0.89
Guaranteed equity	2.46	-2.61	3.56	1.40	0.16	0.39	-1.91	1.20
Global funds	1.58	-8.64	10.90	5.18	1.87	1.43	-2.82	2.80
Passive management	-	-	-	12.09	4.61	-1.26	-7.28	6.32
Absolute return	-	-	-	1.90	0.70	0.98	-1.19	1.17

1 Passive management and absolute annual returns are not included because they are new categories from II 2009 on.

Hedge funds and funds of hedge funds

TABLE 3.12

	2007	2008	2009	2009 III	2009 IV	2010 I	2010 II	2010 III[1]
HEDGE FUNDS								
Investors/shareholders	1,127	1,589	1,917	1,778	1,917	2,137	2,061	1,963
Total net assets (million euro)	445.8	539.4	652.0	602.7	652.0	722.4	674.1	639.9
Subscriptions (million euro)	378.2	390.4	248.7	66.5	73.8	108.0	7.3	5.3
Redemptions (million euro)	2.6	256.7	196.1	24.5	32.5	54.8	14.5	6.7
Net subscriptions/redemptions (million euro)	164.7	134.3	52.6	41.9	41.4	53.2	-7.2	-1.4
Return on assets (million euro)	0.2	-39.1	62.2	25.9	7.9	15.6	0.7	1.1
Returns (%)	0.84	-4.82	14.94	5.21	1.45	2.23	-3.17	1.52
Management yields (%)[2]	0.57	-2.51	13.76	5.25	1.80	2.90	-3.2	1.62
Management fee (%)[2]	1.39	2.50	2.55	0.65	0.48	0.59	0.35	0.31
Financial expenses (%)[2]	0.33	0.16	0.11	0.02	0.03	0.01	0.02	0.01
FUNDS OF HEDGE FUNDS								
Investors/shareholders	3,950	8,516	5,321	5,303	5,321	5,311	5,109	5,088
Total net assets (million euro)	1,000.6	1,021.3	810.2	846.9	810.2	793.9	738.0	739.9
Subscriptions (million euro)	1,071.2	967.3	302.4	170.1	87.6	21.4	4.5	-
Redemptions (million euro)	65.9	616.6	565.4	56.6	120.9	48.0	72.5	-
Net subscriptions/redemptions (million euro)	1,005.5	350.7	-263.0	113.5	-33.3	-26.6	-68.0	-
Return on assets (million euro)	-9.6	-245.7	71.9	28.3	11.6	13.4	-10.5	-
Returns (%)	-0.43	-17.80	7.85	2.88	0.83	1.72	-0.61	0.14
Management yields (%)[3]	-1.36	-17.84	11.54	4.34	1.77	2.08	-0.68	-
Management fee (%)[3]	1.15	1.63	1.34	0.35	0.29	0.31	0.61	-
Depository fee (%)[3]	0.06	0.11	0.11	0.03	0.02	0.02	0.01	-

1 Available data: August 2010. Return refers to the period June-August 2010.

2 % of monthly average total net assets.

3 % of daily average total net assets.

Management companies. Number of portfolios and assets under management[1]

TABLE 3.13

	2007	2008	2009	2009 III	2009 IV	2010 I	2010 II	2010 III
NUMBER OF PORTFOLIOS								
Mutual funds	2,954	2,943	2,593	2,705	2,593	2,534	2,464	2,443
Investment companies	3,181	3,240	3,135	3,175	3,135	3,111	3,110	3,096
Funds of hedge funds	31	40	38	40	38	37	34	33
Hedge funds	21	24	28	26	28	30	31	31
Real estate investment fund	9	9	8	8	8	8	8	8
Real estate investment companies	9	9	8	8	8	8	8	8
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	255,040.9	175,865.5	170,547.7	169,458.4	170,547.7	167,524.3	155,295.5	152,646.5
Investment companies	30,300.0	23,656.1	24,953.0	24,966.5	24,953.0	25,416.6	24,758.4	25,307.7
Funds of hedge funds[2]	1,000.6	1,021.3	810.2	846.9	810.2	793.9	738.0	739.9
Hedge funds[2]	445.8	539.4	645.7	596.8	645.7	716.5	669.8	635.5
Real estate investment fund	8,608.5	7,406.9	6,465.1	6,494.3	6,465.1	6,363.7	6,279.6	6,201.5
Real estate investment companies	512.9	371.9	308.5	313.0	308.5	304.6	327.0	322.7

1 From II quarter 2009 on it is considered as "assets under management" all the assets of the investment companies which are co-managed by management companies and other different companies.

2 Available data for III quarter 2010: August 2010.

Foreign Collective Investment schemes marketed in Spain[1]

TABLE 3.14

				2009		2010		
	2007	2008	2009	III	IV	I	II	III[2]
INVESTMENT VOLUME[3] (million euro)	37,092.7	18,254.8	25,207.2	20,684.8	25,207.2	30,864.9	32,364.8	32,816.0
Mutual funds	7,010.3	3,352.0	5,215.1	4,410.2	5,215.1	6,519.3	7,477.2	7,643.8
Investment companies	30,082.4	14,902.8	19,992.0	16,274.6	19,992.0	24,345.6	24,887.7	25,172.2
INVESTORS/SHAREHOLDERS	850,931	593,488	685,094	613,561	685,094	748,749	791,378	811,077
Mutual funds	142,782	102,922	139,102	123,575	139,102	157,027	181,038	186,615
Investment companies	708,149	490,566	545,992	489,986	545,992	591,722	610,340	624,462
NUMBER OF SCHEMES	440	563	582	577	582	615	636	652
Mutual funds	225	312	324	327	324	353	365	376
Investment companies	215	251	258	250	258	262	271	276
COUNTRY								
Luxembourg	229	274	275	273	275	278	288	287
France	122	161	178	180	178	201	210	222
Ireland	52	63	64	59	64	67	69	74
Germany	15	16	17	17	17	19	20	20
UK	12	14	14	14	14	15	15	15
The Netherlands	1	1	1	1	1	1	1	1
Austria	5	28	27	27	27	28	27	27
Belgium	3	5	5	5	5	5	5	5
Malta	1	1	1	1	1	1	1	1

1 From December 2008 on, foreign collective investments schemes shareholders and total net assets data do not include exchange traded funds (ETF).

2 Provisional data.

3 Investment volume: participations or shares owned by the investors/shareholders at the end of the period valued at that moment.

Real estate investment schemes

TABLE 3.15

				2009	2010			
	2007	2008	2009	IV	I	II	III	IV[1]
REAL ESTATE MUTUAL FUNDS								
Number	9	9	8	8	8	8	8	8
Investors	145,510	97,390	83,583	83,583	81,647	76,772	76,182	76,160
Asset (million euro)	8,608.5	7,406.9	6,465.1	6,465.1	6,363.7	6,279.6	6,201.5	6,149.6
Return on assets (%)	1.27	0.69	-8.31	-1.45	-1.63	-0.99	-1.31	-0.39
REAL ESTATE INVESTMENT COMPANIES								
Number	9	9	8	8	8	8	8	8
Shareholders	843	937	928	928	927	942	934	934
Asset (million euro)	512.9	371.9	308.6	308.6	304.6	327.0	322.7	322.7

1 Available data: October 2010. In this case, return on assets is monthly.