CNMV
Comisión Nacional del Mercado de Valores

CNMV BULLETIN
December 2016

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ISSN (digital edition): 1988-2025

Layout: Composiciones Rali, S.A.

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Abbreviations

ABS	Asset-Backed Security
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)
CCP	Central Counterparty
CDS	Credit Default Swap
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)
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
ECR	Entidad de capital-riesgo (Venture capital firm)
EIOPA	European Insurance and Occupational Pensions Authority
EMU	Economic and Monetary Union (Euro area)
ESA	European Supervisory Authorities
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	Exchange-Traded Fund
EU	European Union
FI	Fondo de inversión de carácter financiero (Mutual 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)
FSB	Financial Stability Board
FTA	Fondo de titulización de activos (Asset securitisation trust)
FTH	Fondo de titulización hipotecaria (Mortgage securitisation trust)
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIC	Institución de inversión colectiva (CIS)

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 Exchange)
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
MoU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
P/E	Price-earnings ratio
PRIIPs	Packaged retail investment products and insurance-based investment products
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 fondos de titulización (Asset securitisation trust management company)
SGIIC	Sociedad gestora de instituciones de inversión colectiva (CIS 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)
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 Transferable Securities

I Securities markets and their agents: Situation and outlook

Contents

List of exhibits

1 Executive summary

- The global macroeconomic and financial landscape was again characterised by vigorous growth in the United States and China contrasting with timid advances in Europe, a region where the soundness of the banking system is increasingly being called into question in a context of ultra-reduced interest rates and newly emerging competitors. Monetary policy has varied little since our last report, except in the United Kingdom where it has taken a more expansionary turn as the Bank of England seeks to fend off the economic fallout from Brexit. In the United States, the Federal Reserve is waiting for the picture to clear before committing to new interest rate hikes (more likely under the incoming administration), while in the euro area the European Central Bank (ECB) has left its key rates unchanged while pressing on with the sovereign and corporate bond-buying programmes that have anchored interest rates at historical lows.

- A few days before the closing date for this report[1] came news of the result of the US presidential elections, which has increased uncertainty among market agents. Although it is early to say how far the new government will go in pushing through the promised measures (mostly of a nationalistic bent), financial markets are already pricing in the scenario of a deeper deficit, more inflation and higher interest rates. After fighting back from Brexit turmoil over most of the second half, financial markets were rattled once more by the change of power in the United States. The initial effects have been felt most in bond markets, with consequences varying from sector to sector and across regions. Bond yields, for instance, reacted sharply in the United States and some European peripheral economies, with rises of 30 to 48 basis points (bp) in the space of a few days. In equity markets, salient developments were the bull run of US indices, where a strongly performing economy helped boost prices by between 5.4% and 8.6%. This contrasts with the year-to-date losses posted in European and Japanese markets, the worst hit being Asian indices and the Italian Mib, on persistent concerns over the health of the country's banks.

- Spain's macroeconomic performance was positive once more, with GDP growth of over 3% easily outpacing the rest of the euro area, and significant advances in employment creation (458,000 new jobs in the past year). Having been stuck in negative terrain since the year's outset, inflation turned positive in September, followed by an October surge to 0.7% as energy rates normalised. Core inflation ran a more stable course, holding at just under 1% throughout 2016. The recent formation of a new government has removed one of the

1 The closing date for this report is 15 November.

main uncertainties for the Spanish economy, but other risks remain. Many of these it shares with other European countries, such as the consolidation of public accounts or the erosion of banks' business margins.

- Supportive economic conditions and low interest rates are allowing steady gradual inroads into Spanish banks' NPL ratios, down to 9.4% in August compared to the 13.6% highs of 2013. However, the prevailing interest rate environment and the growing challenge from new competitive forces (shadow banking, fintech...) has muddied the outlook for a sector that has already seen profitability ratios drop below historical averages. In response, a majority of banks have launched efficiency drives and are also casting round for more profitable business lines.

- Non-financial listed companies made 8.30 billion euros in profits from January to June 2016, 37.6% less than in 2015. This scale of decline was explained mainly by the deterioration of results from discontinued operations among firms in the retail and services sector. Meantime, aggregate debt levels rose by 2.9% versus the 2015 close to 267 billion euros, nudging leverage up from 1.18 to 1.22.

- The stress indicator for Spanish financial markets spiked to 0.44 after the Brexit vote before easing back to around 0.30, but was barely affected by the victory of Donald Trump. It currently stands at the low end of the medium risk interval. The segments emitting most signs of stress are financial intermediaries, after their share price slump, joined recently by bond markets, where risk premiums have been edging higher.

- After clawing back the ground lost post-Brexit[2] over most of the second half, Spanish stock indices fell once more on news of the US election outcome. At the time of writing this report, the Ibex 35 has shed 9% of its value, locating it around the performance mid-point of other European indices. Remaining Spanish indices posted falls on a similar scale. The exception was the small cap index (-0.8%), smaller firms being more shielded from uncertainties of a global nature. Trading on Spanish stock exchanges prolonged its decline (down 25% in the year), in contrast to the brisk business done in Spanish shares on foreign and OTC markets.

- Domestic fixed-income markets opened the third quarter with a surge in prices, as investors sought refuge in safer assets after Brexit and the ensuing wave of stock market instability. These strategies were further encouraged by the ECB's asset purchase programme. The result was to drive yields to new lows in the month of September: 0.95% in the case of the Spanish ten-year government. Bond yields have since edged higher on the outcome of the US elections, but in general are trading below the levels of year-end 2015. Finally, debt issuance contracted in the period with the decline extending to both issues filed with the CNMV (down 9% to 92.60 billion euros) and those sold abroad.

2 Brexit triggered the biggest daily fall (-12.4%) in the history of the Ibex 35.

- After a negative start, assets under management in mutual funds rose by 3.1% to 229 billion euros in the first nine months of 2016. This advance owed entirely to investor subscriptions exceeding 7.4 billion euros, while the value of portfolio assets stayed practically flat. Also apparent was a certain shift in investor preferences towards fixed-income and guaranteed equity funds. Meantime CIS management companies reported a small first-half decrease in both profits (9.1%) and managed assets (1.3%), owing mainly to the decline in value of fund and company portfolios. The number of loss-making managers increased in the period to 21 (11 in 2015).

- Unsettled markets also impacted negatively on investment firm business in the first nine months of 2016, driving pre-tax profits down by 18.8% versus the year-ago period to 146.5 million euros. The volatile climate was most detrimental to fees from order processing and execution, which contracted for broker-dealers and brokers alike. Despite this, sector solvency remained well within the comfort zone.

- This report contains six exhibits:

  – Exhibit 1 looks at the main points of the economic and financial scenario foreseeably ushered in by the new US government, and the market effects observable to date.

  – Exhibit 2 summarises the milestones in the Brexit process, and its impact on domestic and global financial markets.

  – Exhibit 3 discusses the new EU Regulation on benchmark indices and its implications for supervisors.

  – Exhibit 4 considers the main elements of CNMV Circular 4/2016, of 29 June, in force as of 13 October this year, which revises the functions of CIS depositaries.

  – Exhibit 5 explains the changes made by the CNMV to the way securities transfer fees are calculated in fee schedules, in response to evidence of disproportionate charging by providers in recent years.

  – Finally, Exhibit 6 comments on the main initiatives on show at the second Financial Education Day, held annually on the first Monday in October with the goal of alerting citizens to the importance of having a good grasp of essential financial concepts in order to navigate their day-to-day needs.

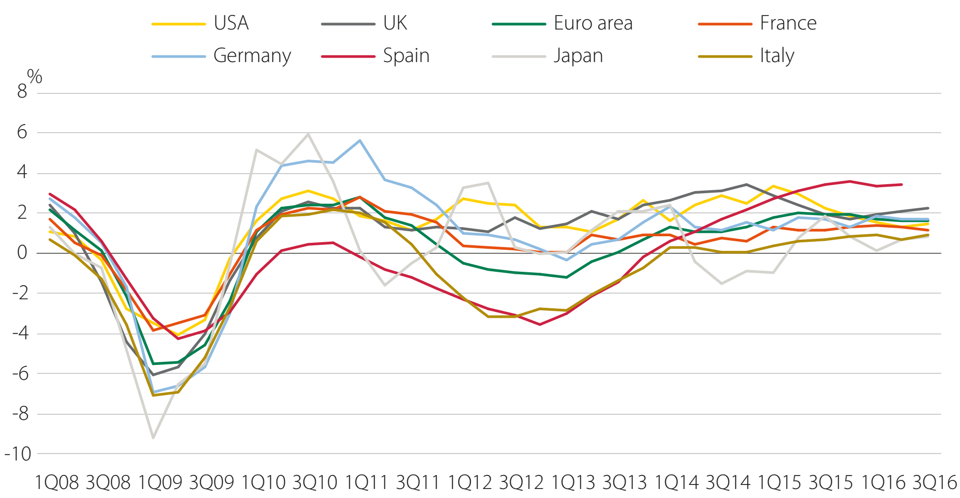
2 Macro-financial background

2.1 International economic and financial developments

Activity in the advanced economies proceeds unevenly in the central months of 2016.

Activity in the advanced economies progressed at a divergent pace in the central months of 2016 (see Figure 1). In the United States, growth quickened to 0.7% in the year's third quarter (1.5% year on year), while in the United Kingdom GDP growth slowed slightly to 0.5% (2.3% year on year) in response partly to uncertainties surrounding Brexit. The euro area as a whole advanced 1.6% in annual terms, with Germany and France repeating the growth rates of the previous quarter (1.7% and 1.1% respectively), and the Italian economy picking up to a small extent. Spain kept up brisk growth with an annual third-quarter rate of 3.2%, according to advance figures from the National Statistics Office, two points less than in preceding period. The stand-out among emerging market economies was the continuing vigour of the Chinese economy, which continued to power ahead at a flat rate of 6.7%.

GDP, annual % change FIGURE 1



Source: Thomson Datastream.

Monetary policies hold to their course in both the United States and euro area. The ECB announces that interest rates will remain at similar levels for some time to come…

Monetary authorities stuck to their respective policies in the euro area and the United States. In the first case, the ECB held the official rate at a record low of 0%, the marginal lending rate at 0.25%, and the marginal deposit rate at -0.4%, as inflation continued to trail its mid-term target, announcing that rates would remain at current or lower levels for an extended period of time. The Bank announced no changes in its asset purchase programme but pledged to prolong it until March 2017 or until inflation returns to its medium-term objective.

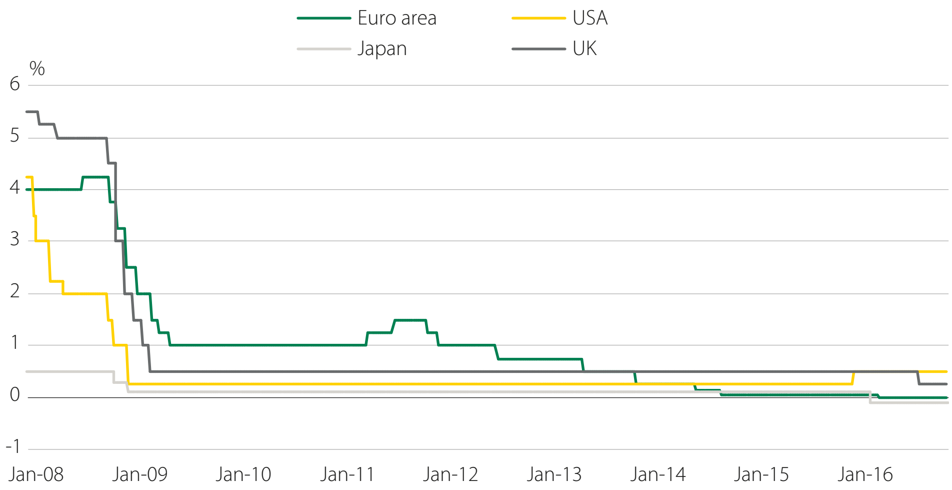
… and, despite seeing added support for a hike in rates, the Federal Reserve decides to await clearer evidence of progress in key economic variables.

In the United States, the Federal Reserve saw compelling reasons to justify an interest rate hike, in the shape of brisk third-quarter activity, solid job creation, and gently rising inflation since the start of 2016. Its decision, however, was to hold off pending more solid evidence of a recovery in key economic variables, keeping rates meantime in the interval of 0.25% and 0.5%. The US authority will weigh its future decisions by reference to labour market figures, inflation and the course of international financial developments.

The Bank of England decided to cut its bank rate last August by 25 bp to 0.25%. It also enlarged its government bond-buying scheme to 435 billion pounds, and announced the purchase of up to 10 billion pounds in UK corporate bonds. It reached this decision based on the prospect of a downturn in activity prompted by weaker aggregate demand, and despite its belief that inflation could rise temporarily above target due to the post-Brexit fall in sterling. Finally, the Bank of Japan shifted the focus of its monetary stimulus to controlling the yield curve. It also pledged to go on expanding the monetary base until inflation settles above the target rate of 2%.

The Bank of England cuts its official rate by 25 bp to 0.25% and scales up its sovereign bond-buying programme.

Official interest rates FIGURE 2



Source: Thomson Datastream. Data to 15 November.

Short-term interest rates in the advanced economies again reflected the varied directions of monetary policy. By November,[3] US interbank rates were strung out between 89 bp at three months and 157 bp in the one-year term (between 24 bp and 31 bp higher than last June) on the outlook for a new rate hike by the Federal Reserve. In the euro area, conversely, three-month and twelve-month rates slipped deeper into negative territory as far as -31 bp and -7 bp at mid-November, in both cases 4 bp down on their mid-year levels.

Short-term rates are still moving at lows, albeit somewhat higher in the United States and United Kingdom, while rates in the euro area and Japan have turned negative in some cases.

In international bond markets, ten-year yields performed in line over the third-quarter period, with a sharp fall extending to most of the advanced economies. Behind the trend was investors' decreasing appetite for risk (see Figure 7) in the uncertain climate following Brexit, which brought about a renewed search for quality. This all changed in mid-November, however, when the outcome of the US elections set the markets discounting a scenario of higher interest rates and inflation. The result was a run-up in yields (see Exhibit 1) led by the United States (41 bp), United Kingdom (31 bp) and Germany (24 bp), which nonetheless stopped short of the levels of the 2015 close except in the cases of Portugal and Italy.

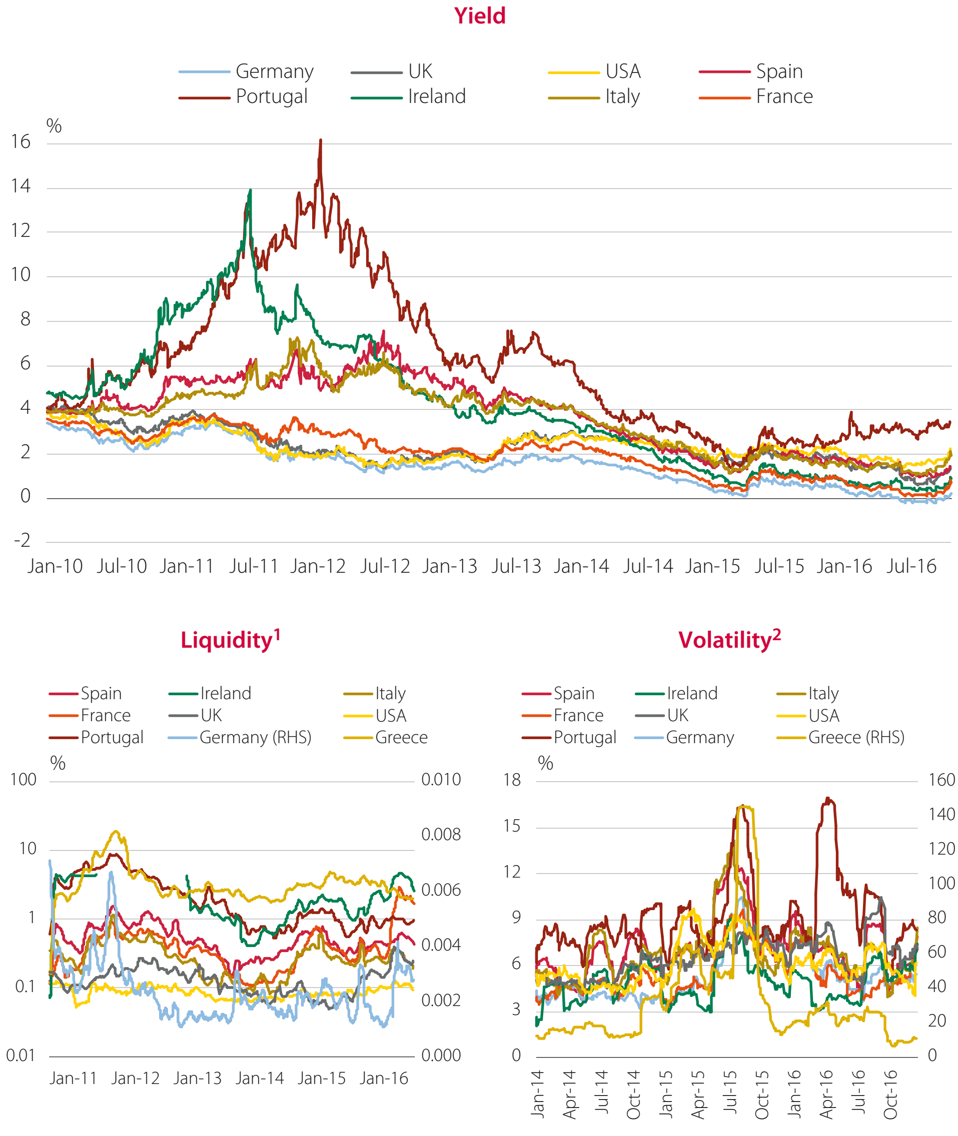
Government bond yields reduce across the board in the third quarter…

3 Monthly average to 15 November.

… and continue to hold below their end-2015 levels despite a steep run-up in the wake of the US elections.

In November, US and UK ten-year governments were trading at a 2.0% and 1.27% average respectively, 26 bp and 61 bp less than at end-2015 but still exceeding the yields of the most solid euro-area economies. The German bond, specifically, reached 0.13% in November, after a third-quarter average of -0.12%, extending its year-to-date fall to 46 basis points. Yields on French and Spanish bonds also headed lower to 0.57% and 1.34% respectively, while Portuguese yields jumped to 3.35% (up by 86 bp).

Ten-year sovereign debt market indicators FIGURE 3



Source: Bloomberg, Thomson Datastream and CNMV. Data to 15 November.

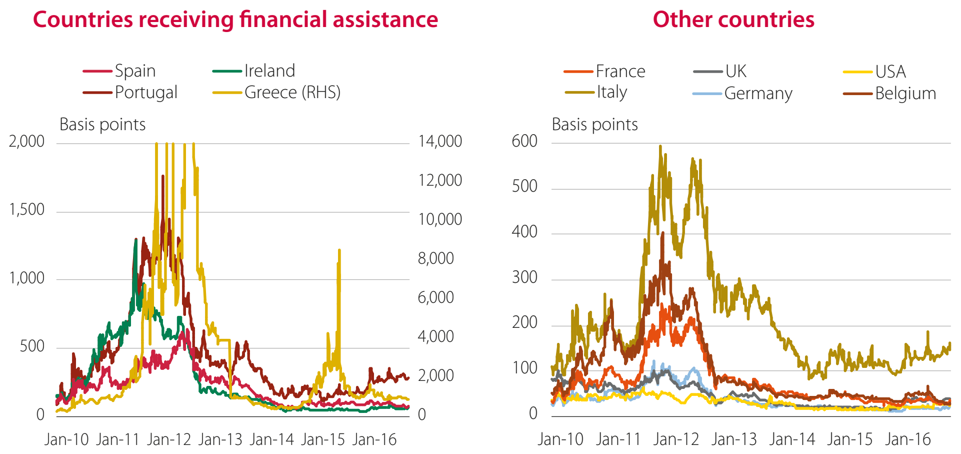
1 One month average of daily bid-ask spread for yields on ten-year sovereign bonds (logarithmic scale). In the case of the German bond, the one month average of the bid-ask spread is represented without dividing by the yield average to avoid the distortion introduced by its proximity to zero.

2 Annualised standard deviation of daily changes in 40-day sovereign debt prices.

Risk premiums hold broadly flat year to date in the United States and core euro countries, against the more fluctuating spreads of peripheral economies.

Sovereign risk premiums, as gleaned from the five-year CDS of government bonds, have seen little variation year to date in the United States and core euro-area economies (see Figure 4). By November, spreads were running at 26 bp in the United States, 21 bp in Germany, 29 bp in Belgium and 33 bp in France. Peripheral economies experienced more varied fortunes, with November spreads of 75 bp in Spain, 154 bp in Italy and 280 bp in Portugal representing an 11 bp fall and rises of 57 bp and 108 bp respectively with respect to December 2015, as these last two economies labour under the effects of concerns about their banking sectors.

Credit risk premiums on public debt (five-year CDS) FIGURE 4



Source: Thomson Datastream. Data to 15 November.

In corporate bond markets, credit spreads in the United States and euro area have been compressing all year across all types of product. High-yield spreads again took the lead (see Figure 5), with year-to-date falls of 171 bp and 67 bp in the United States and euro area respectively as far as November levels of 483 bp and 476 bp. In an ultra-low rate environment, narrower spreads may reflect the growing prevalence of search for yield strategies. Likewise, the lower weighting of equities in the portfolios of increasingly risk averse institutional investors (see Figure 7) may have helped drive up bond prices.

Corporate bond spreads head steadily downwards across all categories in both the US and euro area.

Net long-term issuance in global bond markets summed 1.16 trillion dollars in the second half of 2016, a little above the register for the year-ago period. Public sector issuance dropped to 437 billion dollars, 112 billion less than in the second half of 2015, whereas corporate issuance surged by 259 billion to 728 billion dollars.

Net second-half debt issuance on a par with the same period last year.

Net sovereign issuance was again conditioned by the existence of large redemption volumes and, in Europe especially, an ongoing fiscal consolidation effort which has driven down public sector borrowing requirements. In this context, net issuance in the United States was down by 163 billion dollars in the second half-year compared to the same period 2015. In the euro area, meantime, the redemptions bill exceeded the volumes borrowed, giving a negative net figure of -129 billion (see upper right panel of Figure 6).

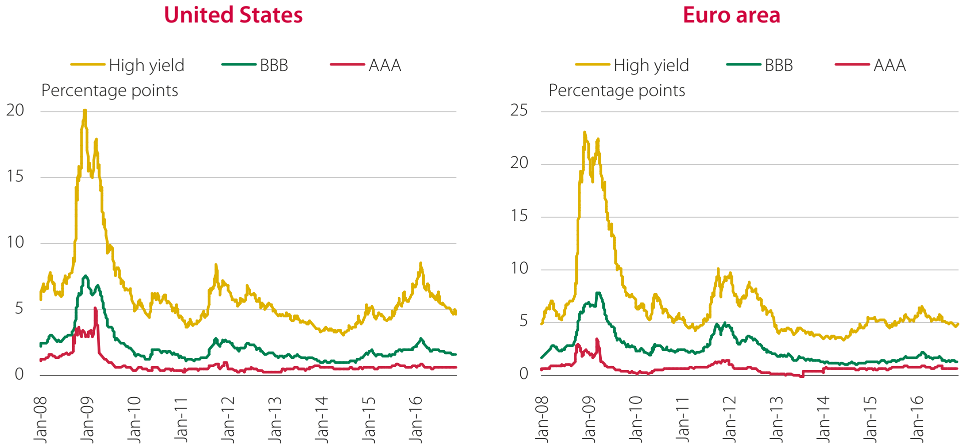
Public sector issuance remains subservient to the demands of fiscal consolidation.

In the financial sector, net issue volumes in the United States were 6% lower than in the second half of 2015 at 196 billion dollars, while the figure for Europe turned more steeply negative (down 7% to -82 billion dollars). Europe's banks are currently immersed in a deleveraging process motivated in part by newly imposed capital requirements, but also reflecting the challenges posed by excess capacity and growing competition in certain investment services.

Financial sector net issuance turns down in both the United States and Europe.

Corporate bond yields
Spread vs. ten-year governments[1]

FIGURE 5



Source: Thomson Datastream and CNMV. Data to 15 November.

1 In the euro area versus the German benchmark.

Net international debt issuance

FIGURE 6

Source: Dealogic. Half-year data. Data for the second half of 2016 are to 15 November but restated on a semi-annual basis to facilitate comparison.

Net corporate bond issuance rose in the second half-year across most of the regions followed. In Europe, net borrowings stood 44% higher than in the first half of 2016, while in Japan, the figure turned positive to the tune of 25 billion after the negative outcome of the first half-year. Part of this increase was likely prompted by the asset purchase programmes of the ECB and Bank of Japan. In the United States, net corporate borrowings were 11% lower than last year, due basically to the issuance spike of first-half 2015, when corporations brought forward placements to lock in lower costs ahead of the expected hike in interest rates.

Net corporate issuance climbs in second-half 2016 across a majority of regions, most markedly in Europe and Japan under the spur of central bank asset purchase programmes.

Performance of main stock indices[1]

TABLE 1

%	2012	2013	2014	2015	4Q 15	1Q 16	2Q 16	3Q 16	4Q 16 (to 15 November) %/ prior quarter	%/ Dec 15
World										
MSCI World	13.2	24.1	2.9	-2.7	5.1	-0.9	0.3	4.4	-1.4	2.3
Euro area										
Eurostoxx 50	13.8	17.9	1.2	3.8	5.4	-8.0	-4.7	4.8	1.6	-6.7
Euronext 100	14.8	19.0	3.6	8.0	5.6	-4.6	-2.1	4.1	-1.0	-3.7
Dax 30	29.1	25.5	2.7	9.6	11.2	-7.2	-2.9	8.6	2.1	-0.1
Cac 40	15.2	18.0	-0.5	8.5	4.1	-5.4	-3.4	5.0	2.0	-2.2
Mib 30	7.8	16.6	0.2	12.7	0.6	-15.4	-10.6	1.3	1.7	-22.1
Ibex 35	-4.7	21.4	3.7	-7.2	-0.2	-8.6	-6.4	7.5	-1.1	-9.0
United Kingdom										
FTSE 100	5.8	14.4	-2.7	-4.9	3.0	-1.1	5.3	6.1	-1.5	8.8
United States										
Dow Jones	7.3	26.5	7.5	-2.2	7.0	1.5	1.4	2.1	3.4	8.6
S&P 500	13.4	29.6	11.4	-0.7	6.5	0.8	1.9	3.3	0.6	6.7
Nasdaq Composite	15.9	38.3	13.4	5.7	8.4	-2.7	-0.6	9.7	-0.7	5.4
Japan										
Nikkei 225	22.9	56.7	7.1	9.1	9.5	-12.0	-7.1	5.6	7.4	-7.2
Topix	18.0	51.5	8.1	9.9	9.6	-12.9	-7.5	6.2	6.1	-9.3

Source: Datastream.

1 In local currency.

Leading stock indices rallied strongly in the second half-year after widespread losses in the first six months[4] brought on in part by nervousness about the Brexit vote. Year-to-date figures evidence large disparities both between and within regions. The Dow Jones, S&P 500 and technology composite Nasdaq have all advanced strongly from year-start levels (8.6%, 6.7% and 5.4%, respectively), contrasting with the deep losses of Japanese indices (-7.2% for the Nikkei and -9.3% for the Topix). In Europe, meantime, losses range from the 0.1% of the German Dax 30 to the 22.1% of Italy's Mib 30, weighed down by a struggling banking sector and the uncertain outcome of

International stock indices rally strongly in the second half, but year-to-date performance is notably uneven.

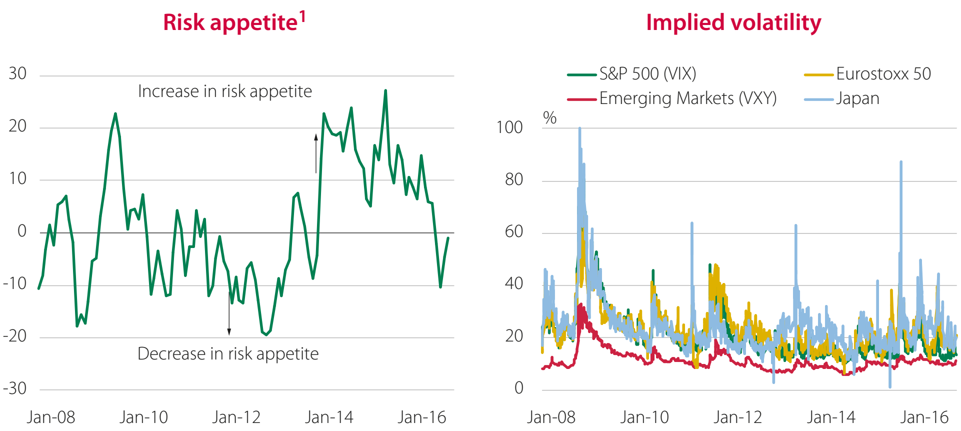
4 With the exception of the FT 100, Dow Jones and S&P 500.

the constitutional reform referendum to be held on 4 December, among other factors. The 9% fall of the Ibex 35 places it around the halfway mark. Volatility, finally, hit a mid-year high of over 30% following the news on the UK referendum, after which readings headed lower, most markedly in the euro area and Japan, to settle at around 20% in November (see right-hand panel of Figure 7).

Emerging stock indices stay in gains, except those tied in with the Chinese economy, on fears of a growth slowdown.

Turning to emerging stock markets, the MSCI index followed up the -0.6% of the first half-year with a rally that by mid-November had delivered a year-to-date gain of 2.3%. The advance extended to indices in Latin America, Eastern Europe and a majority of Asian countries excepting those most linked to the Chinese economy on concerns over a possible growth stall. Top performers to date are the Argentine Merval index and Brazil's Bovespa, with gains of 41.1% and 37.6% respectively, followed by the Russian index, up 29.5% with respect to the 2015 close. At the other extreme, the Shanghai Composite suffered losses in the period of 9.4%.

Financial market indicators FIGURE 7



Source: Thomson Datastream and CNMV.

1 State Street indicator.

Presidential elections in the United States: A first assessment of the effects on financial markets

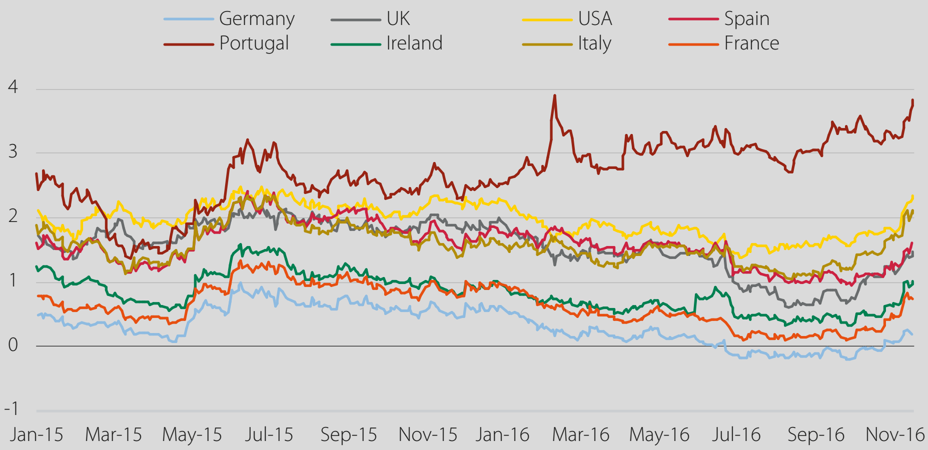
EXHIBIT 1

The outcome of the US presidential elections, with the victory of Republican candidate Donald Trump, has sent ripples of uncertainty through global financial markets on the prospect of economic policy changes by the incoming administration. Although it is too early to predict the extent of future measures, to judge from the electoral campaign they will certainly include: i) a major fiscal expansion, accompanied by increased public investment and tax cuts; ii) further deregulation of certain strategic industries, including the cancellation of renewable energy plans and the scaling-back of public healthcare programmes; iii) tougher policies on migration; and iv) greater economic protectionism.

It is hard to tell what effect these policies will have on the American economy. Some could be initially positive but more deleterious in the medium to long run, especially measures that choke off international trade and impede the free circulation of people. The markets, in any case, are already discounting a major fiscal stimulus that would foreseeably boost inflation in the form of rising government and corporate bond yields in the medium and long segments of the curve. As we can see from figure E1.1, yields on the ten-year sovereign bonds of the advanced economies turned up significantly in November. Between the 1st and 17th, the fastest rising were US treasuries (up by 48 bp to 2.30%), although European yields also headed higher, especially those of peripheral economies (Portugal: 38 bp to 3.7%; Italy: 37 bp to 2.1%; Ireland: 33 bp to 0.98%; and Spain: 30 bp to 1.61%). The smallest increases corresponded to Germany (10 bp to 0.20%) and the United Kingdom (12 bp to 1.40%).

Ten-year sovereign bond yields

FIGURE E.1.1



Source: Thomson Datastream. Data to 17 November.

Rising long-term bond yields caused an uptick in the risk premiums of European peripherals, which had held more or less flat for most of the year, including through the Brexit shock. Spanish sovereign risk spreads widened from 116 bp at the start of November to 141 bp, and those of Italy from 161 bp to 191 bp.

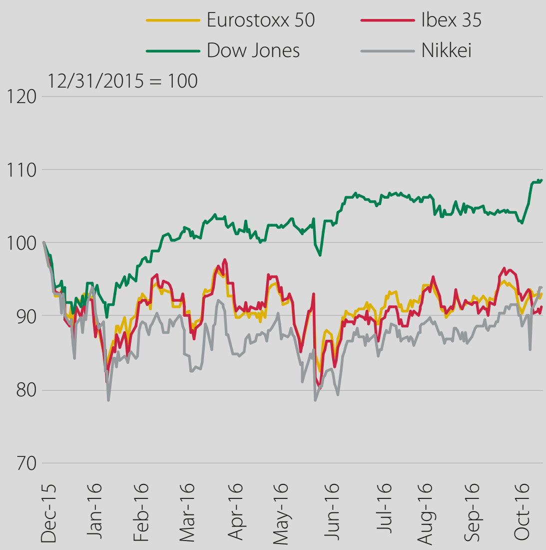
The reaction of equities to Trump's election triumph varied from country to country, with US markets showing most buoyant. At the time of writing, top US indices continue to outperform peers by a wide margin (the Dow Jones gaining 8.5% year to date, the S&P 500 7%, and the Nasdaq 6.5%; see Table and Figure E1.2), boosted not just by the change of government but also by the greater vigour of the domestic economy.

Elsewhere, responses were both milder and more divergent. Asian markets, the first to wake up to the news, reacted most sharply with a small spike in volatility,[1] while in Europe, reactions ranged from the 3.6% fall of the Ibex 35 to the 1.5% advance of the German Dax. This underperformance by Spanish stocks can be attributed to the strong Latin American exposure of its biggest corporations. The most obvious case is Mexico, given the negative fallout for the country of the Trump administration's promised measures (reflected in falling stock markets all over Latin America). Individually, the worst hit have been companies, like BBVA and Abertis, with most interests in Mexico, along with firms in the renewable energy sector. On the upside, pharmaceutical shares have responded with a price surge.

International stock indices

FIGURE E1.2

	Change from:	
	01/11/2016	31/12/2015
MSCI World	1.4	2.7
Eurostoxx 50	0.6	-6.9
Dax 30	1.5	-0.5
Cac 40	1.3	-2.4
Ibex 35	-3.6	-8.7
FT 100	-1.8	8.8
Dow Jones	4.8	8.5
S&P 500	3.6	7.0
Nasdaq Cpte	3.5	6.5
Nikkei 225	2.4	-6.2
Hang Seng	-3.8	1.6
Mex Ipc	-5.0	4.5
Ibovespa	-5.6	37.9



Source: Thomson Datastream. Data to 17 November.

Table E1.3 tracks price movements in US shares grouped into sectors. Although it is early to say whether the trends emerging will persist over time, we can see the gap opened up between those that stand to gain from the new president's policies, and those likelier to lose out. Among the former are construction-related sectors (up 10.6% in November), transport (9.4%), basic materials (8.9%), industry (6.7%), banks (14.7%) and insurance (8.5%). Conversely, utilities and consumer goods-related sectors have posted varying degrees of losses.

In currency markets, the dollar has gained strongly against the euro and yen since the date of the elections: the dollar/euro from 1.11 to 1.07 and the yen/dollar from 103 to 109.3.[2]

Performance of US shares by sector TABLE E1.3

	Change from			Change from	
	01/11/2016	31/12/2015		01/11/2016	31/12/2015
Gas and oil	2.7	13.4	Industrial goods and services	6.4	14.0
Basic materials	4.2	11.7	Transport	9.4	21.7
Industry	6.7	14.3	Support services	4.0	10.9
Investment trusts (diversified)	-7.1	3.3	Automobiles and parts	3.6	-7.2
Consumer goods	-2.2	0.7	Food and drink	-3.9	1.9
Healthcare	5.4	-1.8	Personal consumer goods	-1.8	1.7
Consumer services	4.4	3.6	Retail	2.5	1.3
Telecommunications	2.4	10.2	Media	7.0	8.7
Financials	8.0	9.0	Travel and leisure	6.5	4.5
Technology	0.8	10.6	Utilities	-4.3	8.0
Chemicals	2.7	4.7	Banks	14.7	12.5
Basic resources	8.9	40.0	Insurance	8.5	16.6
Construction and materials	10.6	20.1	Real estate	-2.7	-3.7
			Financial services	8.6	9.4

Source: Thomson Datastream. Industry classification by Datastream.

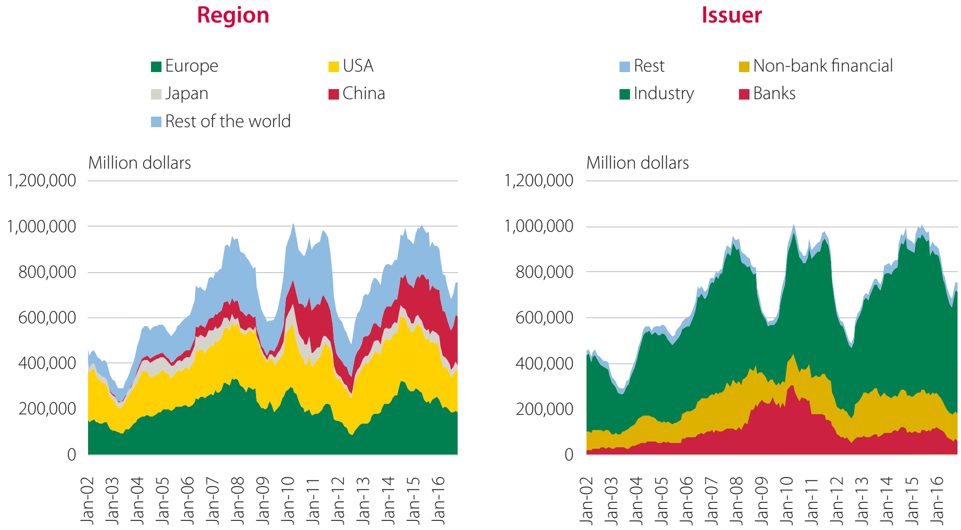
1 Volatility reached 35% on the Nikkei due to the sharp price swings of 9 and 10 November (-5.4% and 6.7% respectively).

2 Change from the day after the elections to 17 November.

Share issue volumes to November fall off sharply versus the same period 2015.

Equity issuance to mid-November stood at 690 billion dollars, 18% less than in the same period last year. In cumulative twelve-month terms, the 762 billion raised (to November) was likewise sizeably less than one year before (see Figure 8). The downturn extended to all regions except China, which bucked the trend with a year-on-year surge of 23%. In Europe, the United States and Japan, share issue volumes dropped by 32%, 22% and 48% respectively. By sector, the decline was sharpest among financial corporations (17%) and, especially, the banks (68%). This last register is one symptom of the challenges facing the European banking sector, which is struggling to squeeze out more profits in a context of ultra-low interest rates and mounting competition. Issuance by industrial firms was 10% lower, while the utilities sector raised its issue volumes 12% in the same period.

Global equity issuance FIGURE 8



Source: Dealogic. Cumulative twelve-month data to 15 November. For comparative purposes, the figure for this month is restated on a monthly basis.

2.2 National economic and financial developments

Spain's GDP grows 0.7% in the third quarter (3.2% year on year), preserving its strong lead over the euro area (1.6%).

Spanish GDP kept up brisk growth through the third quarter, with rates on a par with the previous three months and substantially ahead of those of the euro area. According to provisional data from the National Statistics Office (INE), the Spanish economy expanded 3.2% year on year in the third-quarter period (0.7% in quarterly terms), compared to the 1.6% of the euro area (0.3% quarterly).

Lower growth input from domestic demand is offset by a rising contribution from the net exports side.

Domestic demand contributed 3.0 percentage points to GDP growth, down from 3.7 in the second quarter, offset by a stronger input from the net exports side. All domestic demand components reduced their growth pace with respect to the opening quarter, notably government consumption (from 2.0% to 0.7%) and gross fixed capital formation (from 4.9% to 3.7%). Private consumption, meantime, slowed by a considerably smaller margin (from 3.7% to 3.5%). Finally, accelerating export growth (up from 4.3% to 7.2%) with respect to imports (from 5.9% to 6.4%), lifted the external sector's GDP contribution into positive terrain (from -0.4 to +0.4 percentage points).

On the supply side, services and industry pick up speed.

On the supply side of the economy, the growth of services and industry picked up slightly in year-on-year terms to 3.5% in the second quarter (3.3% in both cases in the first quarter of 2016). Conversely, primary industries and construction slowed their advance to 2.5% and 1.1% respectively (previously 3.1% and 1.7%).

Spain: main macroeconomic variables (annual % change) TABLE 2

	2012	2013	2014	2015	EC[1] 2016F	EC[1] 2017F	EC[1] 2018F
GDP	**-2.9**	**-1.7**	**1.4**	**3.2**	**3.2**	**2.3**	**2.1**
Private consumption	-3.6	-3.2	1.6	2.8	3.2	2.1	1.6
Public consumption	-4.7	-2.1	-0.3	2.0	0.9	0.8	0.8
Gross fixed capital formation, of which:	-8.6	-3.4	3.8	6.0	4.2	3.6	3.8
Construction	-12.2	-8.6	1.2	4.9	N/A	N/A	N/A
Equipment	-6.2	5.3	8.4	8.9	6.7	4.5	3.9
Exports	1.1	4.3	4.2	4.9	6.1	4.5	3.9
Imports	-6.3	-0.5	6.5	5.6	5.8	4.3	4.1
Net exports (growth contribution, p. p.)	2.2	1.5	-0.5	-0.1	0.2	0.2	0.2
Employment[2]	**-4.8**	**-3.4**	**1.1**	**3.0**	**2.8**	**2.1**	**1.8**
Unemployment rate	**24.8**	**26.1**	**24.4**	**22.1**	**19.7**	**18.0**	**16.5**
Consumer price index	**2.4**	**1.4**	**-0.1**	**-0.5**	**-0.4**	**1.6**	**1.5**
Current account balance (% GDP)	**-0.2**	**1.5**	**1.1**	**1.4**	**1.7**	**1.5**	**1.5**
General government balance (% GDP)[3]	**-10.5**	**-7.0**	**-6.0**	**-5.1**	**-4.6**	**-3.8**	**-3.2**
Public debt (% GDP)	**87.5**	**95.4**	**100.4**	**99.8**	**99.5**	**99.9**	**100.0**
Net international investment position (% GDP)[4]	**-68.5**	**-83.7**	**-90.1**	**-79.3**	**N/A**	**N/A**	**N/A**

Source: Thomson Datastream, European Commission, Banco de España and National Statistics Office (INE).

1 European Commission forecasts of November 2016.

2 In full-time equivalent jobs.

3 Figures for 2012, 2013, 2014 and 2015 include government aid to credit institutions amounting to 3.8%, 0.5%, 0.1% and 0.1% of GDP, respectively.

4 Ex. Banco de España.

N/A: [data] not available.

Spanish inflation turned positive in September (0.2%) after moving all year in negative terrain, in response, chiefly, to a rise in energy prices contrasting with the sharp fall of November 2015 (-3.0%). The inflation upturn firmed in October in the shape of a year-on-year GDP rate of 0.7%, well clear of the negative rate recorded last May (-1.0%). The items making up core inflation – excluding the volatile energy and fresh food constituents – traced a notably more stable course, with October's annual rate of 0.8% just a whisker below the 0.9% of December 2015. Finally, Spain's inflation gap versus the euro area closed entirely in October, in contrast to the -1.0 percentage points of May 2016 (see Figure 9).

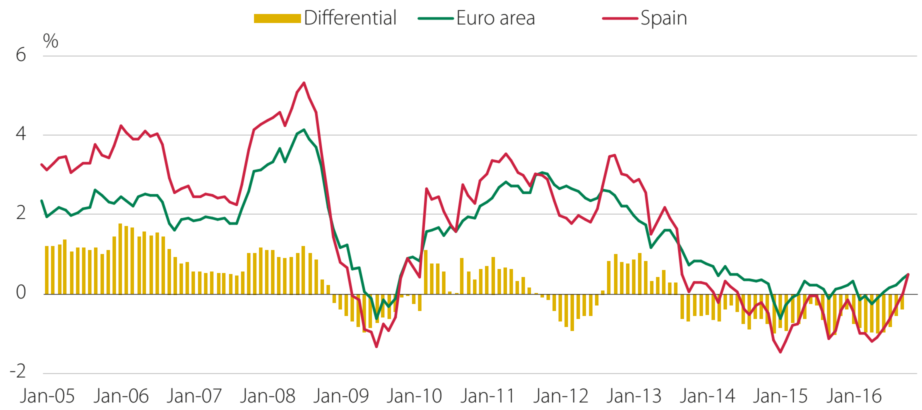
Inflation accelerates to 0.7% in October, a month after returning to positive rates. The result has been to close Spain's inflation gap with the euro area.

In the labour market, job creation kept up its advance through the second quarter, with a year-on-year rate of 2.7%, just slightly down on the average for 2015 (3.0%). The result was a total of 17.31 million people in work and an increase of 458,000 jobs in the space of twelve months. The unemployment rate ended the third quarter at 18.9%, a solid improvement over last year's average of 22.1%. Growth of unit labour costs, calculated as the difference between the increase in compensation per worker and productivity, accelerated to 0.4% in the second quarter (-0.2% in first-quarter 2016), on a rise in worker compensation (0.8%) not matched by productivity (0.4%).

Job creation continues apace, permitting further inroads into unemployment as far as a 3Q rate of 18.9%.

Harmonised ICP: Spain vs. the euro area (annual % change)

FIGURE 9



Source: Thomson Datastream. Data to October.

The public deficit ends August at 3.3% of GDP, a little below the figure for the same period 2015.

The general government deficit, excluding local authorities, reached 3.3% of GDP at the August close, slightly below the figure for the same period 2015 (3.4%). By branch, central government returned a deficit of 2.6% against the 0.1% of the autonomous regions, improving strongly on the 0.8% of the year-ago period thanks mainly to the final liquidation of 2014 accounts, and the 0.6% of the social security administration. According to the excessive deficit protocol, public debt rose to 101.0% of GDP at the end of the second quarter from the 99.8% of the 2015 close. Budgetary execution figures to September put the central government deficit at 2.6% of GDP, two points above the register of one year before. The latest updated Stability Programme, for 2016-2019, projects a downward trending deficit of 3.6% this year and 2.9% in 2017. This is rather more optimistic than the European Commission's November forecasts, which posit 4.6% in 2016 y 3.8% in 2017.

A supportive macro environment helps banks rein in NPL ratios, but the sector still has to contend with reduced interest rates and growing competition in some business areas.

The brisk pace of activity and job creation have delivered a gradual decrease in bank sector non-performing loan (NPL) ratios. That said, the low interest rate environment continues to constrain the sector's earnings power. Return on equity (ROE) has shrunk this year to 6.1% (8.8% in 2015) and is moving significantly short of historical levels. In addition, structural factors like excess capacity and growing competition from shadow banking and fintech organisations (firms at the high-tech end of financial services delivery) are making rapid inroads into banks' traditional business.

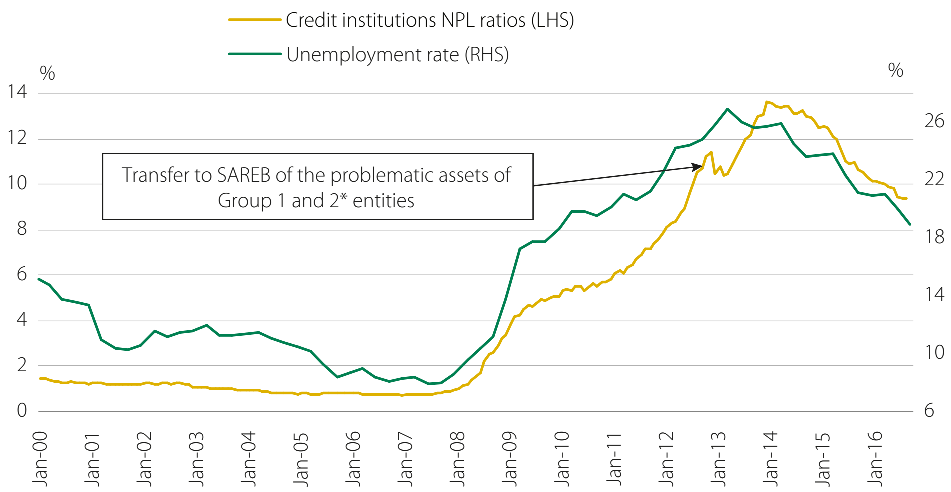
NPLs drop to 9.4% of total loans in August, a small improvement on the starting ratio for 2016…

Non-performing loans to other resident borrowers (households and non-financial corporations) dropped in August to 9.4% of the total outstanding, a seven-point improvement on the 10.1% ratio of December 2015. Low interest rates have helped relieve the bad debt problem by reducing the repayment costs of borrowers, given the predominance in Spain of adjustable-rate mortgages. Bank income statements showed first-half profits of 6.14 billion euros, up from 5.46 billion in the same period last year. Net operating income, however, dropped to 7.89 billion euros from the 8.58 billion of the first half of 2015, due to gross income falling more steeply than financial asset impairment losses.

Bank lending to the non-financial resident sector (companies and households) reduced further in third-quarter 2016, albeit at a slower pace than in the first six months. Year-on-year growth in the flow of finance (loans and securities other than shares) to non-financial corporations turned positive in August for the first time since 2011, and by September was up to 0.5% (compared to -1.8% as recently as last March). It bears mention that this upturn relied on loans from abroad and securities other than shares, while year-on-year rates remained negative (-1.5%) for lending by resident entities. Among households, a downturn in home purchase loans restricted year-on-year growth to -1.6% (-2.1% in December 2015). In the euro area, conversely, the stock of outstanding loans to non-financial corporations and households climbed by 1.2% and 2.0% respectively year on year, on a par with the growth recorded to December 2015 (1.3% and 1.9% respectively).

… while bank lending to non-financial resident borrowers contracts by 0.4% in September, slowing its rate of decline vs. the start of the year (-1.9% in April).

Credit institutions NPL ratios and the unemployment rate[1] FIGURE 10



Source: Banco de España and National Statistics Office (INE). NPL ratios to August 2016 and unemployment to September.

1 Percentage of the active population.

* Group 1 transfers took place in December 2012 (36.70 billion euros) and Group 2 transfers in February 2013 (14.09 billion euros).

Bank sector balance sheets shrank further in the middle months of 2016 prolonging the trend of previous years. By August, the sector-wide balance sheet was down to 2.70 trillion euros, equivalent to 62 billion less in assets compared to December 2015. All funding sources contracted in the eight-month period: deposits by 45 billion euros, outstanding debt by 20 billion and equity by 2 billion to an August figure of 367 billion euros. Meantime, banks increased their net Eurosystem borrowings to 135 billion in October, up from the 133 billion of December 2015, after the initial reduction was wiped out by heavier borrowings in the rest of the period.

The bank sector balance sheet reduces further across all funding heads in the middle months of 2016.

Non-financial listed companies obtained 8.30 billion euros profits in the first half of 2016, 37.6% less than in the same period last year. Leading the decline were firms in the retail and services sector whose 4.62 billion profit of first-half 2015 turned into a 745 million loss due to a slump in results from discontinued operations. Energy firms too saw a drop in profits to 4.33 billion euros, 11.2% less than in 2015. By contrast, firms in the industrial sector and, more so, construction and real estate

Profits of non-financial listed companies fall by around 37% in first-half 2016, with the retail and services sector leading the decline.

grew their earnings by 6.1% and 49.4% versus the first half of 2015 to 2.27 and 2.42 billion euros respectively (see Table 3).

Earnings by sector: Non-financial listed companies[1] TABLE 3

	EBITDA[2]		Profit before taxes		(Consolidated) profit for the year	
Million euros	jun-15	jun-16	jun-15	jun-16	jun-15	jun-16
Energy	6,624	6,445	6,197	5,465	4,874	4,326
Industry	3,223	3,366	2,898	3,024	2,140	2,270
Retail and services	5,267	5,300	2,363	1,720	4,623	-745
Construction and real estate	2,785	3,758	2,037	2,974	1,622	2,423
Adjustments	20	28	-34	-26	-29	-24
Total	**17,879**	**18,841**	**13,529**	**13,209**	**13,288**	**8,298**

Source: CNMV.

1 First half-year results for 2015 and 2016.

2 Earnings before interest, taxes, depreciation and amortisation.

Debt levels edge up 2.9% in the first six months accompanied by a small increase in leverage.

The aggregate first-half debt of non-financial listed companies, at 266.93 billion euros, was 2.9% more than at the 2015 close (see Table 4), with all sectors sharing in the increase. Retail and services firms led the field with a 3.7% jump in debt to 115.70 billion, followed by energy firms with a 3.6% rise to 79.82 billion. Average leverage rose to 1.22 in June from 1.18 at the 2015 close, drawing on both higher debt tallies and a decrease in equity. However debt coverage ratio (debt/EBITDA) improved in the period from 10.2 to 7.1 on a larger relative increase on the operating income side.

Gross debt by sector: Listed companies[1] TABLE 4

	Debt		Debt/equity		Debt/EBITDA[2]	
Million euros	dec-15	jun-16	dec-15	jun-16	dec-15	jun-16
Energy	77,051	79,823	0.74	0.78	9.7	6.2
Industry	17,001	17,045	0.53	0.53	5.6	2.5
Retail and services	111,579	115,698	2.00	2.14	12.3	10.9
Construction and real estate	55,226	55,756	1.86	1.79	10.4	7.4
Adjustments	-1,461	-1,391				
TOTAL	**259,397**	**266,930**	**1.18**	**1.22**	**10.2**	**7.1**

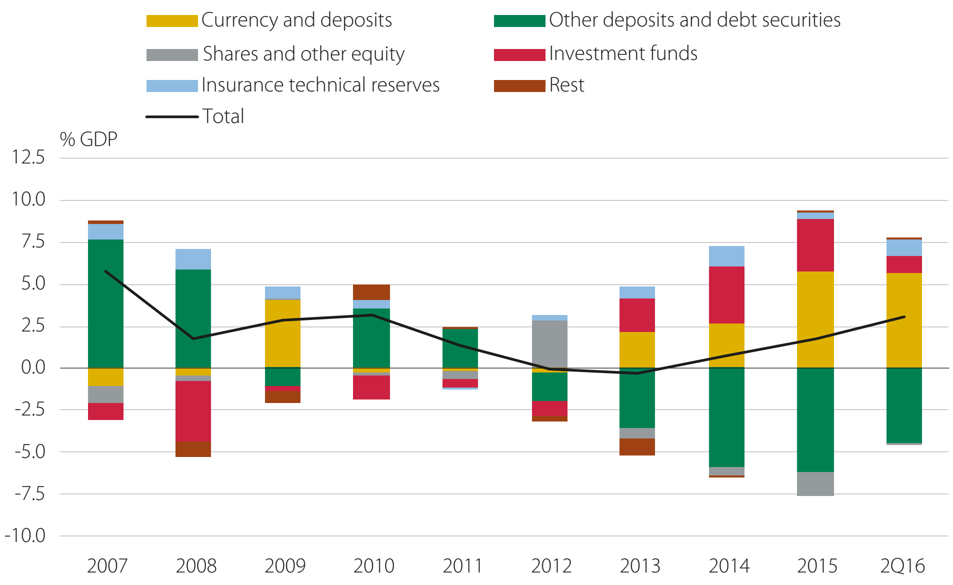
1 Cumulative data for the 2015 close and the first half of 2016.

2 Earnings before interest, taxes, depreciation and amortisation for 2016 are annualised to facilitate comparison.

Diverse factors combine to boost the financial position of households. Savers opt increasingly to withdraw from long-term deposits and debt securities in favour of insurance products, mutual funds and, especially, currency and transferable deposits.

Indicators for the financial position of Spanish households in 2016 reveal that saving rates held broadly flat at around 8% of gross disposable income (GDI) in the first six months of the year. Both debt-to-income and debt burden ratios prolonged the decline of the past few years: the former from 106,0% of GDI at the 2015 close to 104.7% in June this year, coinciding with an increase in compensation per worker; and the latter from 12% to 11.7%, due partly to the slightly lower average cost of borrowed funds. Household financial investments in the second quarter amounted to 3.1% of GDP (cumulative four-quarter data), up from 1.8% in 2015, 0.8% in 2014 and the -0.3% of 2013. As in previous years, households continued to move out of long-term deposits and debt securities (4.5% of GDP), due to the poor returns on offer, exchanging them for currency and transferable deposits (5.7% of GDP), insurance products (1.1% of GDP) and mutual funds (1.0% of GDP).

Households: Financial asset acquisitions (net) FIGURE 11



Source: Banco de España, *Cuentas financieras*. Cumulative four-quarter data.

2.3 Outlook

The latest forecasts from the International Monetary Fund (IMF), published in October, project global growth of 3.1% in 2016 and 3.4% in 2017. These rates, a near re-run of 2015 (3.2%), represent a small mark-down with respect to the organisation's July forecasts on an augured slowdown in the advanced economies. Current forecasts for this group point to 1.6% and 1.8% growth this year and next, down from 2.1% in 2015. Emerging market economies, meantime, are expected to see a 4.2% advance this year followed by 4.6% in 2017 (4.0% in 2015).

The world economy is poised to grow 3.1% this year, one point less than in 2015.

Internationally, the advent of a new US government with more inward-looking policies and a protectionist bent entails a significant risk for the global growth outlook. In the euro area, the macroeconomic and financial landscape is clouded by worries over the prospect of a harder-than-expected Brexit and the exact repercussions of the change of government in the United States. The scenario of a more expansionary fiscal policy stateside driving an upturn in inflation and bond yields could jeopardise the monetary policy goals of the ECB. Other risks to be reckoned with are the weakness of the banking sector, especially in Europe, where banks face the dual challenge of ultra-low interest rates and growing competition from shadow banking activities and fintech firms. Finally, threats persist of a slowdown in certain emerging economies (China is transitioning to a consumer-driven growth model and has apparently made little progress in tackling its credit glut and corporate debt problem), and the escalation of ongoing geopolitical conflicts.

The prospect of a hard Brexit, the new political scenario in the United States, bank sector weakness in Europe and the deceleration of emerging economies remain the most prominent risks on the global horizon.

Gross domestic product (annual % change) TABLE 5

	2012	2013	2014	2015	IMF[1] 2016F	IMF[1] 2017F
World	3.5	3.3	3.4	3.2	3.1 (0.0)	3.4 (0.0)
United States	2.2	1.7	2.4	2.6	1.6 (-0.6)	2.2 (-0.3)
Euro area	-0.9	-0.3	1.1	2.0	1.7 (0.1)	1.5 (0.1)
Germany	0.7	0.6	1.6	1.5	1.7 (0.1)	1.4 (0.2)
France	0.2	0.6	0.6	1.3	1.3 (-0.2)	1.3 (0.1)
Italy	-2.8	-1.7	-0.3	0.8	0.8 (-0.1)	0.9 (-0.1)
Spain	-2.6	-1.7	1.4	3.2	3.1 (0.5)	2.2 (0.1)
United Kingdom	1.3	1.9	3.1	2.2	1.8 (0.1)	1.1 (-0.2)
Japan	1.7	1.4	0.0	0.5	0.5 (0.2)	0.6 (0.5)
Emerging economies	5.3	5.0	4.6	4.0	4.2 (0.1)	4.6 (0.0)

Source: IMF.

1 In brackets, change vs. the previous forecast. IMF, forecasts published October 2016 vs. July 2016.

The Spanish economy will continue to outpace the rest of the euro area. Political uncertainty is no longer an issue, but significant risks remain, some of them shared with other European countries.

In the case of the Spanish economy, the IMF is looking for 3.1% growth in 2016 (0.5 points more than its previous forecast) followed by 2.2% in 2017 (one point more), easily outpacing the 1.7% and 1.5% rates projected for the euro area as a whole. The success of structural reforms, a weaker euro and the supportive monetary policy deployed by the ECB are among the factors favouring a scenario of robust growth and employment creation. The formation of a new government in late October has also ended a period of political uncertainty that in truth had little apparent impact on financial markets. Remaining risks have to do with the sustainability of public finances, the resilience of the banking sector and the outlook for those firms strongly exposed to the United Kingdom and Latin America in the light of the progress of Brexit and the policies of the incoming US government.

3 Spanish markets

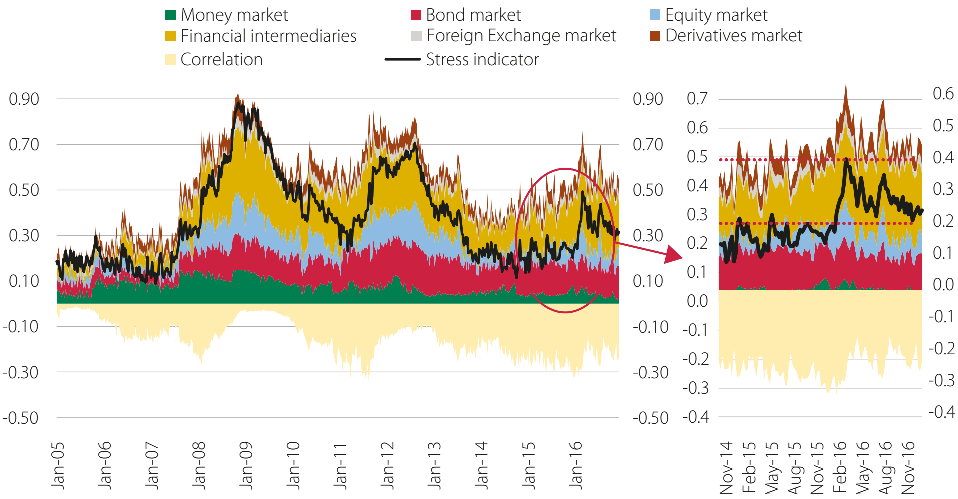
The indicator of stress on Spanish financial markets has retreated from Brexit highs, but remains in the medium risk interval.

The stress indicator for Spanish financial markets dropped from 0.43 in late June to 0.30[5] in mid-November (see Figure 12) on evidence of a gathering economic recovery, the formation of a new national government and the wearing-off of the initial Brexit shock. The main risks for these levels, currently at the low end of the medium stress range, lie in the financial intermediaries segment, where sharply falling bank shares reflect the multiple problems besetting the financial sector.

5 The stress indicator developed by the CNMV provides a real-time measurement of systemic risk in the Spanish financial system in the range of zero to one. To do so, it assesses stress in six segments (equity, bonds, financial intermediaries, the money market, derivatives and the forex market) and aggregates them into a single figure bearing in mind the correlation between them. Econometric estimations consider that market stress is low when the indicator stands below 0.27, intermediate in the interval of 0.27 to 0.49, and high when readings exceed 0.49. For more information see Exhibit 1.1 of the *CNMV Annual Report* for 2014 and Estévez, L. and Cambón, M.I. (2015). *A Spanish Financial Market Stress Index (FMSI)*. CNMV Working Paper No. 60. Available at: http://www.cnmv.es/portal/Publicaciones/monografias.aspx

Spanish financial market stress indicator

FIGURE 12



Source: CNMV. See *A Spanish Financial Market Stress Index (FMSI)*. CNMV Working Paper No. 60. Data to 11 November.

Market risk is still the big threat for financial markets, with fixed-income assets in the foreground.

The most pressing risk in financial markets is currently market risk, referring chiefly to fixed-income asset prices. Even after large falls to mid-November, prices in this segment remain notably high, shored up by a series of factors including the ECB's asset purchase programmes. The concern now is that prices may correct more sharply if yields start climbing in response to monetary policy switches in both the United States and the euro area. Equities also carry this risk, given their close correlation to bond prices. Among the most vulnerable are financial and real estate shares, along with those most exposed to Brexit effects and possible changes in US economic policy.

3.1 Equity markets

Equity markets rally in the third quarter on a robust economy, the formation of a new government and the wearing-off of Brexit effects. However, persisting uncertainties…

Spanish equity markets opened the third quarter with a price spurt that tended to flatten out as time went on, but ensured that the Ibex 35 had by mid-November recouped some of the ground lost in the first six months. This positive showing owed to the consolidation of economic recovery, the wearing-off of the initial Brexit shock (see Exhibit 2) and the forming of a new government after long months of political impasse. In recent weeks, however, uncertainty has again gripped markets, anxious about a possible speed-up in the Brexit calendar (the markets were counting on a gradual disconnection), the results of the US presidential elections and the new government's economic policy (specifically the chance that the Federal Reserve could accelerate its timetable of interest rate hikes). On top of this, rumours have surfaced to the effect that the ECB might bring forward the withdrawal of its monetary stimulus.

… have got in the way of a stronger recovery. Year to date, the Ibex 35 presents similar losses to the Eurostoxx 50 against a backdrop of falling trading volumes and the normalisation of volatility after the post-Brexit spike.

The rebound in Spanish share prices after the initial Brexit dip was a little stronger than elsewhere in Europe, except Germany, and on a par with the Eurostoxx 50. Despite this, the Spanish market is still mired in losses year to date, underperforming Germany, France and the United Kingdom,[6] and ahead only of the penalised

6 Britain's FT 100 shows gains in local currency but performs negatively in euro terms.

Italian markets. Volatility, meantime, receded from peak levels of over 80% in the immediate aftermath of Brexit – the highest since the debt crisis of 2010 – settling back to below its historical average as the markets regained their feet. The trading contraction unfolding since January intensified if anything, as far as 788 billion euros to end-September, a 25% decrease year on year. Meantime trading in Spanish shares on platforms other than their home market continued its advance to nearly 33% of the total. In primary markets, equity issuance fell off significantly after a run of three initial public offerings (IPO) in the second quarter, with transactions in the period confined to capital increases.

Performance of Spanish stock market indices and sectors (%) TABLE 6

							4Q 16 (to 15 November)	
Index	**2012**	**2013**	**2014**	**2015**	**2Q 16[1]**	**3Q 16[1]**	**%/ prior quarter**	**%/ Dec 15**
Ibex 35	-4.7	21.4	3.7	-7.2	-6.4	7.5	-1.1	-9.0
Madrid	-3.8	22.7	3.0	-7.4	-6.7	7.7	-1.1	-9.4
Ibex Medium Cap	13.8	52.0	-1.8	13.7	-7.6	7.8	-1.9	-11.5
Ibex Small Cap	-24.4	44.3	-11.6	6.4	-8.1	11.6	-3.2	-0.8
FTSE Latibex All-Share	-10.7	-20.0	-16.1	-39.2	-2.6	24.4	7.7	61.2
FTSE Latibex Top	-2.6	-12.4	-11.1	-34.6	-5.6	29.3	10.1	57.8
Sectors[2]								
Financial and real estate services	**-4.7**	**19.9**	**1.4**	**-24.2**	**-14.0**	**10.4**	**10.7**	**-9.9**
Banks	-4.8	18.8	1.6	-26.0	-15.0	10.3	11.8	-10.4
Insurance	-2.0	47.3	-9.2	-5.0	1.8	20.5	9.4	8.2
Real estate and others	-14.4	38.3	36.3	18.4	-3.4	0.1	-3.2	-6.3
Oil and energy	**-16.0**	**19.0**	**11.8**	**0.6**	**5.3**	**0.8**	**-7.0**	**-7.9**
Oil	-35.4	19.5	-15.1	-34.9	15.0	5.8	2.4	22.1
Electricity and gas	-5.4	18.7	21.7	9.6	3.7	-0.1	-9.0	-12.7
Basic materials, industry and construction	**-8.0**	**28.9**	**-1.8**	**2.1**	**-5.7**	**12.6**	**-5.9**	**-3.6**
Construction	-9.3	26.5	8.9	4.9	-8.2	9.5	-7.0	-12.7
Manufacture and assembly of capital goods	-8.8	55.4	-18.3	49.0	-4.0	16.2	-10.8	2.4
Minerals, metals and metal processing	-8.7	11.5	4.5	-30.8	-1.2	21.7	6.5	42.0
Engineering and others	3.8	7.6	-17.0	-39.6	3.4	14.3	-4.9	-1.9
Technology and telecommunications	**-18.3**	**22.8**	**2.5**	**-5.2**	**-9.7**	**9.0**	**-10.8**	**-16.5**
Telecommunications and others	-23.0	17.1	2.6	-12.3	-13.6	7.0	-11.1	-21.6
Electronics and software	39.4	56.8	2.3	22.2	3.4	14.4	-10.0	0.0
Consumer goods	**55.6**	**17.1**	**-1.5**	**30.9**	**0.9**	**7.0**	**-4.7**	**-3.7**
Textiles, clothing and footwear	66.2	13.5	-1.1	33.6	1.2	10.4	-5.1	-1.1
Food and drink	25.0	4.7	-5.2	26.4	-1.0	-1.2	-7.6	-10.6
Pharmaceuticals and biotechnology	68.3	39.6	-1.0	23.5	2.5	-1.3	-2.1	-9.5
Consumer services	**12.7**	**58.9**	**10.0**	**10.4**	**-10.2**	**7.3**	**-4.5**	**-12.9**
Motorways and car parks	5.7	36.5	6.8	-7.9	-4.1	5.0	-10.3	-9.4
Transport and distribution	29.7	116.4	27.9	29.6	-19.5	7.9	1.1	-18.2

Source: BME and Thomson Datastream.

1 Change vs. the previous quarter.

2 IGBM sectors. Under each sector, data are provided for the most representative sub-sectors.

The Ibex 35 followed up its 8.6% and 6.4% losses in the first and second quarters with a third-quarter advance of 7.5%. It then returned to negative territory (-1.1%) to mid-way through the fourth quarter[7] for a year-to-date decline of 9% (-7.2% in full-year 2015). Most Spanish stock indices, with the exception of the outperforming small cap index, advanced in line in the third quarter, with gains ranging from 7.5% to 7.8%, only to slip back in the fourth. Year-to-date falls border on 9% for the Ibex 35 and IGBM, widening to 11.5% for the medium cap index, while firms in the small cap bracket have contained their losses at less than 1% (see Table 6). The indices grouping Latin American securities traded in euros managed a sizeable third-quarter gain on top of the rises of the first six months. Specifically, the FTSE Latibex All-Share and FTSE Latibex Top have climbed 61.2% and 57.8% respectively in the year, bolstered by the strength versus the euro of currencies like the Brazilian real and the Colombian and Chilean pesos.

The Ibex 35 and other large cap indices have posted deep losses year to date (between 9% and 11.5%), in contrast to the sideways trading of small cap firms (-0.8%).

The story for most sectors except financial and real estate services was one of third-quarter gains giving way to a downward correction in the fourth quarter. The financial sector was the strongest performing in third-quarter 2016 after the punishment taken in the first six months. Also doing well were industry and metals and minerals, with the economy and commodity prices in support. However most sectors stand in negative territory year to date, with financial services at the rear – held back by the banks. The other big loser is the telecommunications sector where Spain's top operator has faced difficulties in disposing of its UK subsidiary. On the upside, the oil sector and minerals and metals rose strongly on commodity price recovery, with the insurance sector some way behind (see Table 6).

Share prices rise in the third quarter, led by financials, industry and metals, before moving back into reverse (except the banks). Year to date, most sectors show negative returns.

The UK referendum on leaving the European Union (Brexit) and its impact on financial markets EXHIBIT 2

The referendum of 23 June on the United Kingdom's membership of the European Union (EU) gave the victory to the leave camp, which won almost 52% of votes cast (Brexit). The United Kingdom has tended to be an uncomfortable partner since it joined the then European Economic Community (EEC) in 1973. The country held its first vote on remaining in 1975, after renegotiating its membership conditions, with a majority of the electorate in favour. It subsequently opted out of the Schengen space (1985) and, despite signing up for the Single Market (1993), decided not to join the euro. At the start of this year, with the new referendum already announced, it won a deal giving it "special" conditions in the event that the British voted to stay in the Union. Among them, a degree of flexibility in the application of European regulations for non-euro EU members not belonging to the banking union, including a guarantee that the United Kingdom would not be discriminated against for being outside the euro area. Limits were also agreed on the availability of UK welfare benefits to newly arrived EU migrants.

Although there were plentiful grounds to doubt the outcome, the vote to leave nonetheless came as a surprise to the bulk of public opinion both within and

7 Data to 15 November.

outside the United Kingdom, and provoked a wave of uncertainty leading to revise-downs of growth forecasts for the British economy and the EU itself, and an upswing in the perceived political risk of certain European countries. Prime Minister David Cameron, an advocate of remaining in the EU, resigned and was replaced by Theresa May on 13 July last.

European equity markets received the news with sharp price falls, a surge in volatility (to levels unseen since the debt crisis of 2010) and a jump in trading volumes. Losses were steepest in Spain (where the Ibex 35 experienced the worst fall in its history; 12.4% in a single day) and Italy (see Table E2.1). The Spanish shares taking the biggest punishment on 24 June corresponded to large corporations in banking, telecommunications and services, on account of their higher exposure to the UK and global economies. Losers included Banco de Santander (-19.9%), Banco Sabadell (-19.3%), Telefónica (-16.1%) and IAG (-26.7%), while small and medium cap firms got off relatively lightly on their more limited exposure to events outside Spain.

The price swings of the 24 June trading session were a sharp test for the stabilising mechanisms envisaged in European market regulations, and one they passed with flying colours. As the day progressed, many stock exchanges, including Spain's, had to activate the "circuit breakers" designed for such occasions, suspending trading in a given share when its price varied beyond a preset threshold, and only resuming after the reboot of a "volatility auction" where agents can re-enter their orders. These cooling-off mechanisms play a vital stabilising role at times of heightened market stress, and certainly proved their worth on the day in question.

Performance of main Spanish and European stock indices[1] TABLE E2.1

	%/ 23 June	% 23 Jun / 1 July	% 23 Jun / 31 Oct.		%/ 23 June	% 23 Jun / 1 July	% 23 Jun / 31 Oct.
Spain				**Euro area**			
Ibex 35	-12.4	-6.9	2.9	Eurostoxx 50	-8.6	-5.1	0.6
Madrid	-12.5	-7.0	3.2	Dax 30	-6.8	-4.7	4.0
Ibex Med. Cap	-7.5	-4.3	2.5	Cac 40	-8.0	-4.3	1.0
Ibex Small Cap	-8.1	-3.4	6.2	Mib 30	-12.5	-9.3	-4.7
				United Kingdom			
				FTSE 100	-3.1	-3.8	9.7
				FTSE 100 (in €)	-8.5	-5.1	-6.2

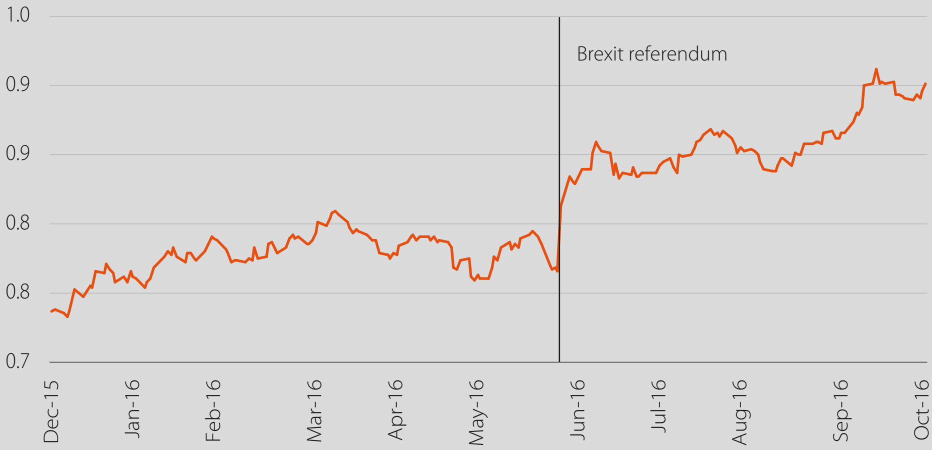
Source: Datastream

1 In local currency.

After the initial disruption, European equity markets shook off the Brexit effects and initiated a bull run that was not interrupted even when a "hard Brexit" emerged as the likeliest option to judge from the Prime Minister's words in early October.[1] On the contrary, most indices held in positive terrain from there to the end of the month. In the United Kingdom, leading index FTSE 100 managed a 9.7% advance in local currency, ahead of other European indices (the German Dax 30 rose by 4%, the Ibex 35 by 2.9% and France's Cac 40 by 1%). However, this gain becomes a steep correction if calculated in euros (-6.2%), in view of the sterling pound's prolonged depreciation (17.2% since the referendum and 21.7% since the start of the year) (see Figure E2.1).

In fixed-income markets, the first reaction was a jump in risk premiums that was most intense in sovereign bonds (with many registering peak annual spreads). The yield spread between European sovereigns and the German ten-year benchmark widened sharply post-Brexit (by 21 bp in one session in the case of the Spanish bond), but promptly corrected back in the following weeks.

British pound/euro exchange rates FIGURE E2.1



Source: Bloomberg.

The last chapter in the story, for the moment at least, opened on 3 November last, when the High Court in London, petitioned by a group of citizens as to whether the British executive was empowered to trigger Article 50 of the Treaty of Lisbon and set in motion Brexit, ruled that the United Kingdom government must receive authorisation from Parliament before moving ahead with the separation process. The British government appealed against the ruling before the Supreme Court, arguing that the result of the June referendum conferred sufficient legitimacy to initiate Brexit without recourse to Parliament, since the country's citizens had already issued their verdict. The Court will announce its final decision before the end of 2016.

As to Brexit's medium- and long-term effects on the British economy, analysts believe that it will weaken economic growth.[2] It implies the loss of the internal market – damaging competitiveness and foreign trade, and could lead to flights of capital and the dethroning of the City of London as premier financial centre, as well as higher unemployment and fiscal imbalances. For the EU too, Brexit threatens to usher in a scenario of lower growth, weaker commercial ties and budgetary rebalancing. In Spain's case, the most obvious harm will be to bilateral trade (Spain runs a trade and services surplus with the UK, and 15.5 million British tourists visited the country in 2015) and the future of Spanish investments in the United Kingdom (particularly elevated in finance, telecommunications, energy and infrastructures). It will also mean higher regulatory costs for Spanish banks and companies, and the possible renegotiation for both countries' citizens of their entitlement to social services.

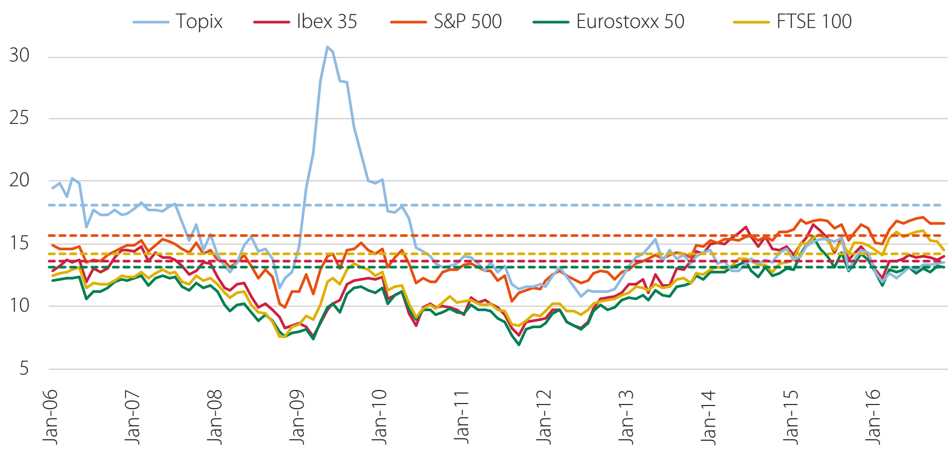
1 The new British Prime Minister announced in early October that the United Kingdom would trigger Article 50 of the Treaty of Lisbon (establishing the country's exit from the EU) before the end of March 2017, a process the markets dubbed a "hard Brexit" having presumed that the leaving process would be drawn out over time.

2 A report from the UK Treasury estimates that Brexit could slice between 3.6% and 6% off British GDP in the next two years, and that inflation will climb between 2.3% and 2.7%, compared to the Bank of England's 2017 forecast of 1.8%. The same report calculates that the impact on the European Union will be 1% less growth in the two-year period. The European Commission issued its own projections last July putting the negative impact on 2017 GDP at 1% to 2.75% for the United Kingdom and 0.25% to 0.5% for the euro area.

P/E ratios fall despite the third-quarter share rally, ahead of expected improvement in corporate earnings.

Despite rising share prices in the second half-year, expectations of a small rise in company earnings pushed the price-earnings ratio (P/E) of the Ibex 35 down from 14.1 to 13.9. The multiple has dropped by a similar margin year to date, as the fall in markets was comparable (just slightly smaller) to the fall in projected earnings per share. As we can see from Figure 13, the P/Es of major stock indices held more or less flat in the third quarter of 2016, evidencing expectations of low-key growth for the advanced economies. With the exception of Japan's Topix, multiples in all markets stood slightly above the average levels of 2000-2015.

Price-earnings ratio[1] (P/E) FIGURE 13



Source: Thomson Datastream. Data to 15 November.

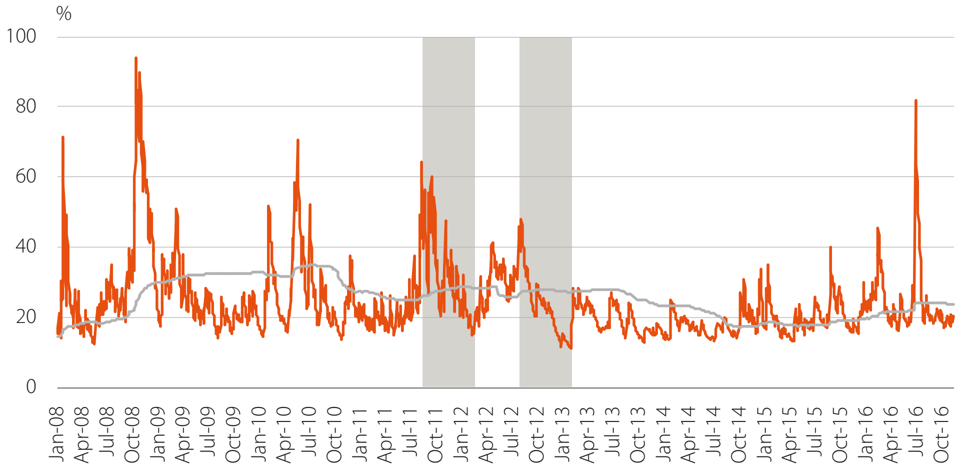
1 Twelve-month forward earnings.

Market jitters after the Brexit vote push volatility to above 80%, though readings quickly recede to current levels near 20%, below the 25.2% average for the year.

Ibex 35 volatility died down steadily from mid-year onwards, after a dramatic spike in the aftermath of the Brexit vote when readings shot to over 80%, a level unseen since the thick of the sovereign debt crisis. Current levels of around 20% compare favourably to the year-to-date average of 25.2%. A similar pattern could be observed on other European indices like the Eurostoxx 50, although the Ibex's post-Brexit run-up was more intense than most.

Historical volatility of the Ibex 35

FIGURE 14



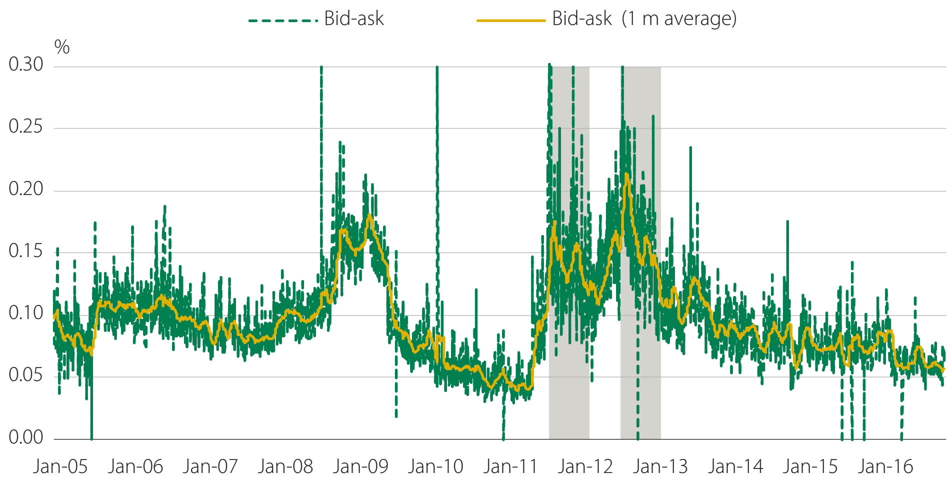
Source: Thomson Datastream and CNMV. Data to 15 November. The black line indicates unconditional volatility and the red line conditional volatility. The vertical lines refer to the introduction and lifting of the short selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting on 23 July 2012 and ending on 1 February 2013.

Ibex 35 liquidity, as measured by the bid-ask spread, has traced a smooth progression with signs of some mild improvement in the second half. The only blips occurring were brief widening movements on news of a possible early Brexit and, later, the announcement of the US election result. Finally, the spread narrowed from 0.09% at end-June to 0.06% in mid-November, below the indicator's historical average of 0.095%.

Ibex 35 liquidity holds within acceptable bounds.

Ibex 35 liquidity. Bid-ask spread

FIGURE 15



Source: Thomson Datastream and CNMV. Data to 15 November. The curve represents the bid-ask spread of the Ibex 35 along with the average of the last month. The vertical lines refer to the introduction and lifting of the short-selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting on 23 July 2012 and ending on 1 February 2013.

Trading in Spanish shares listed on Spanish exchanges[1]

TABLE 7

Million euros	2012	2013	2014	2015	2Q 16	3Q 16	4Q 16[2]
Total	**709,902.0**	**764,986.6**	**1,002,189.0**	**1,161,482.8**	**252,422.3**	**172,742.7**	**103,031.4**
Listed on SIBE (electronic market)	**709,851.7**	**764,933.4**	**1,002,095.9**	**1,161,222.9**	**252,417.9**	**172,739.8**	**103,031.0**
BME	687,456.1	687,527.6	849,934.6	925,978.7	187,555.2	116,214.4	68,970.9
Chi-X	16,601.3	53,396.7	95,973.0	150,139.9	29,647.4	25,332.5	16,231.1
Turquoise	3,519.6	11,707.9	28,497.5	35,680.5	12,914.1	13,288.1	6,701.2
BATS	2,261.9	10,632.1	18,671.0	35,857.6	13,550.5	8,814.8	5,187.0
Others[2]	12.8	1,669.2	9,019.8	13,566.2	8,750.7	9,089.9	5,940.9
Open outcry	**49.9**	**51.4**	**92.4**	**246.1**	**4.0**	**0.5**	**0.4**
Madrid	3.0	7.3	32.7	19.4	1.2	0.1	0.0
Bilbao	8.5	0.1	14.3	7.5	0.0	0.0	0.0
Barcelona	37.7	44.1	45.2	219.1	2.7	0.4	0.3
Valencia	0.7	0.0	0.3	0.1	0.0	0.0	0.0
Second market	**0.4**	**1.7**	**0.7**	**13.8**	**0.4**	**2.4**	**0.1**
Pro memoria							
BME trading of foreign shares[3]	4,102.0	5,640.0	14,508.9	12,417.7	1,565.9	1,539.1	821.0
MAB	4,329.6	5,896.3	7,723.2	6,441.7	1,064.6	1,021.7	664.4
Latibex	313.2	367.3	373.1	258.7	18.0	26.5	23.1
ETF	2,736.0	4,283.9	9,849.4	12,633.8	1,468.5	1,014.3	518.6
Total BME trading	698,987.5	703,768.7	882,482.3	957,990.5	191,676.7	119,818.9	70,998.4
% Spanish shares on BME vs. total Spanish shares	96.8	89.9	84.8	80.1	74.6	67.7	67.3

Source: Bloomberg and CNMV.

1 Spanish shares listed on Spanish exchanges are those with a Spanish ISIN that are admitted to trading in the regulated market of Bolsas y Mercados Españoles, i.e., not including alternative investment market MAB. Foreign shares are those admitted to trading in the regulated market of Bolsas y Mercados Españoles whose ISIN is not Spanish.

2 Data to 15 November.

3 Difference between the turnover of the EU Composite estimated by Bloomberg for each share and the turnover of the markets and MTFs listed in the table, i.e., including trading on other regulated markets, MTFs and OTC systems.

Political uncertainty at home and abroad contributes to drive down trading in Spanish shares.

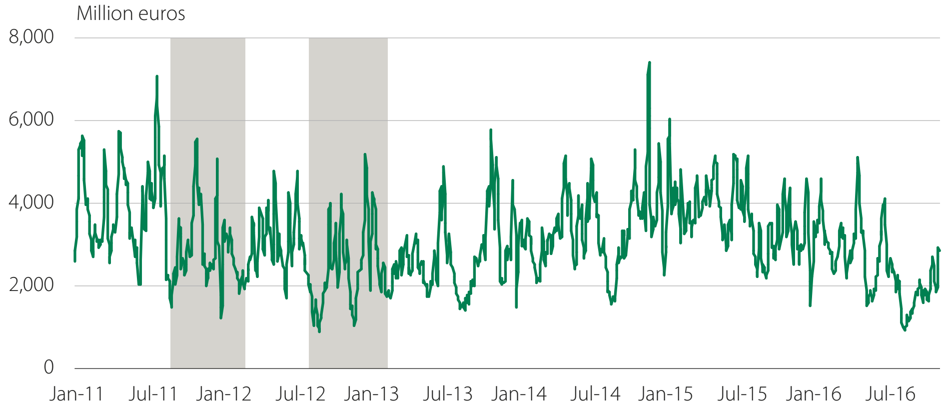
Trading in Spanish equities sank by 34% in the second half with respect to the year-ago period, affected by the uncertainty following the Brexit referendum and, domestically, the delays in forming a new national government, compounded by market-specific factors like the summer business lull and the OTC trading boom. At 782 billion euros, volumes to date are 25% down on the equivalent period in 2015.[8] The Spanish regulated market still accounts for the bulk of trading in Spanish shares, although it has been losing ground to other European regulated markets and multilateral trading facilities (MTFs). Specifically, trades on Spanish exchanges summed 565 billion euros, 32% less than in the year-ago period. Average daily trading on continuous market SIBE was 1.78 billion euros in the third quarter, well short of the 3.13 and 2.91 billion of the two preceding quarters, and the 2.54 billion average recorded year to date (see Figure 16).

8 Excluding trading on MAB and Latibex and in ETFs.

As stated, trading in Spanish shares on other European platforms increased significantly in the third quarter. The shift in trading away from home exchanges to other regulated markets and MTFs is a process that, to date, had mainly affected other European bourses. The recent upswing in the case of Spanish shares may owe something to last May's reform of the securities clearing, settlement and registration system, to align domestic procedures with international post-trade standards. So far this year, external markets have channelled 216.70 billion euros in trades, 4% more than in the same period 2015. This equates to nearly a third (32.3%) of overall trading in Spanish shares (23.8% and 25.4% in the first and second quarters of 2016 respectively, up from 20% in full-year 2015). Again the Chi-X stands out for the scale of volumes transacted – almost 105 billion euros year to date and 48% of all foreign trading – although it has recently lost share to competing platforms.

Trading of Spanish shares on other European regulated markets and MTFs has now reached almost 33% of the total.

Daily trading on the Spanish stock market[1] FIGURE 16



Source: CNMV. Data to 15 November. The vertical lines refer to the introduction and lifting of the short-selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting on 23 July 2012 and ending on 1 February 2013.

1 Moving average of five trading days.

Equity issuance on domestic markets dropped to 4.45 billion euros in the second half of the year (data to 15 November), less than a third of the volume of the first-half period. Year-to-date issuance[9] totalled 18.59 billion euros, 46% lower than the equivalent period last year. There were no new share offerings in the third quarter and capital increases were smaller and consisted largely (60%) of scrip dividends,[10] which were similar to the second quarter in value terms (1.15 billion euros). So far this year there have been only two modest share offerings – one in the restaurant sector and one in leisure – raising a total of 506 million euros, compared to six in 2015 raising more than 8.30 billion. There was, however, a boom in non-monetary offerings settled by share contributions, which summed 1.74 billion euros by market value to November, compared to just 51 million euros in the first quarter and 367 million euros in the previous year.

Equity issuance dips sharply in 3Q 2016 with no new share offerings and only smaller-scale capital increases.

9 Data to 15 November.

10 The third quarter figure includes the many company dividends paid in July.

Capital increases and public offerings

TABLE 8

	2013	2014	2015	1Q 16	2Q 16	3Q 16	4Q 16
NUMBER OF ISSUERS[1]							
Total	**39**	**49**	**52**	**17**	**20**	**13**	**5**
Capital increases	39	47	47	17	20	13	5
Public offer for subscription	5	6	0	0	3	0	0
Public offering of shares	0	4	6	0	2	0	0
NUMBER OF ISSUES[1]							
Total	**145**	**147**	**115**	**21**	**24**	**15**	**7**
Capital increases	145	140	103	21	22	15	7
Public offer for subscription	5	8	0	0	4	0	0
Public offering of shares[2]	0	7	12	0	2	0	0
CASH AMOUNT[1] (million euros)							
Total	**39,126.2**	**32,762.4**	**37,067.4**	**4,891.5**	**9,247.2**	**1,907.8**	**2,540.1**
Capital increases	39,126.2	27,875.5	28,735.8	4,891.5	8,740.6	1,907.8	2,540.1
Public offer for subscription	1,742.8	2,951.5	0.0	0.0	807.6	0.0	0.0
Paid-in capital increases	9,932.8	12,650.8	9,627.8	966.6	1,233.3	1,146.3	1,034.3
Of which scrip dividend[3]	9,869.4	12,573.8	9,627.8	966.6	1,233.3	1,146.3	1,034.3
Capital increases by debt conversion[4]	7,478.8	3,757.9	2,162.5	3,008.6	230.7	342.6	2.3
Capital increases against non-monetary consideration[5]	231.6	2,814.5	367.0	50.8	0.0	238.3	1,502.6
With preferential subscription rights	11,463.1	2,790.8	7,932.6	799.9	5,534.0	174.8	0.0
Without rights trading	8,277.1	2,909.9	8,645.9	65.5	935.0	5.8	0.8
Public offering of shares	0.0	4,886.9	8,331.6	0.0	506.6	0.0	0.0
***Pro memoria:* MAB transactions[6]**							
Number of issuers	7	9	16	2	3	8	2
Number of issues	14	15	18	2	3	8	2
Cash amount (million euros)	45.7	130.1	177.8	7.2	4.2	178.2	20.5
Capital increases	45.7	130.1	177.8	7.2	4.2	178.2	20.5
Of which, through public offer for subscription	1.8	5.0	21.6	0.0	0.0	7.3	7.3
Public offering of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: BME and CNMV. Data to 15 November.

1 Transactions registered with the CNMV. Not including figures for MAB, ETFs or Latibex.

2 Greenshoe-related transactions are accounted for separately in this item.

3 In scrip dividends, the issuer gives existing shareholders the option of receiving their dividend in cash or converting it into shares in a paid-in capital increase.

4 Includes capital increases to allow conversion of bonds and other debt into shares by the exercise of employee stock options or execution of warrants.

5 Capital increases for non-cash consideration have been measured at their market value.

6 Transactions not registered with the CNMV.

3.2 Fixed-income markets

Yields on government and corporate debt hit record lows in September before rebounding on expectations of changes in monetary policy and, later, the US presidential elections.

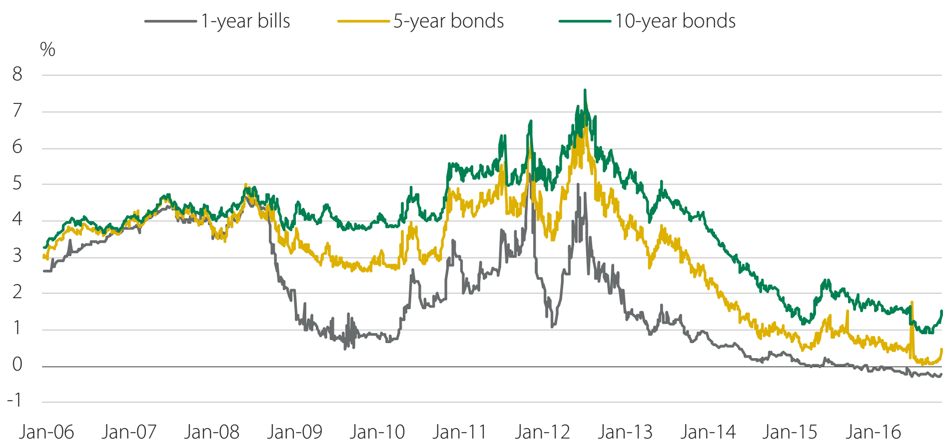
Fixed-income markets in Spain, as in most major European economies, began the third quarter with big price rallies and yield falls as investors sought refuge from post-Brexit instability on equity markets. This, coupled with the ECB's debt purchase programme, drove down yields on public and corporate debt to historical lows in September in most segments of the yield curve. Yields paid by Spanish and German ten-year sovereign bonds fell to all-time lows, below 1% and 0% respectively.

The effects rippled out to all fixed income markets, including high yield as investors turned to ever more varied assets in their quest for yield. Even so, in the fourth quarter, bond yields started to recover somewhat, as markets began to anticipate the ECB's first steps toward withdrawing its stimulus.[11] Rises began in October, gathering pace in November with US election result, read by investors as heralding a more expansionary and inflationary policy likely to affect monetary policy at the Fed and even the ECB.

Risk premiums also narrow in the second half, helped by the installation of a new government in Spain, but tend to rebound after the US elections.

Spanish risk premiums were helped by ECB monetary policy and the formation of a new government. Sovereign spreads eased 20 bp[12] in the second half taking them back to their year-start level. Large corporates continued to snap up the cheap finance available (thanks to the ECB's corporate debt purchase programme) on the corporate markets, although volumes were down on previous quarters. Also down was issuance abroad. Issues registered with the CNMV so far this year totalled 92.60 billion euros, nearly 9% below the same period 2015. Defying this general trend, however, securitisation volumes were up in year-on-year terms.

Spanish government debt yields FIGURE 17



Source: Thomson Datastream. Data to 15 November.

Yields on short-dated government and corporate paper touch new lows in September, but the falls now seem to have levelled off.

Interest rates paid on short-dated government bonds continued their decline as the year wore into its second half and reached new historical lows in both primary and secondary markets. ECB monetary policy and purchase programmes[13] continue to affect movements at the short end of the debt curve. In mid-November, yields on three-month, six-month and twelve-month Letras del Tesoro stood at -0.39%, -0.29% and -0.25% respectively, having shed between 11 and 17 bp since end-June. This puts them within a whisker of the -0.4% minimum threshold for ECB purchase programmes (marginal deposit rate). All Treasury auctions were settled at negative interest rates, although rates did edge up at the most recent ones in November.

11 The ECB president has confirmed that the bank will continue buying assets until at least the end of 2017.

12 Data to 15 November.

13 At end-October 2016, the ECB had bought 1,148 billion euros of debt including 135.22 billion euros of Spanish paper.

Short-term corporate debt showed a similar trend, with yields also at historical lows. Falls were similar in scale to public debt (between 9 bp and 20 bp) focusing on the six-month and twelve-month tenors. Interest rates at issuance on six- and twelve-month commercial paper fell to 0.29% and 0.25% respectively, although rates on three-month paper rose slightly, to 0.29% (see Table 9).

Short-term interest rates[1] TABLE 9

%	Dec 13	Dec 14	Dec 15	Mar 16	Jun 15	Sep 16	Nov 16[2]
Letras del Tesoro							
3 month	0.54	0.12	-0.15	-0.26	-0.22	-0.42	-0.39
6 month	0.70	0.25	-0.01	-0.12	-0.18	-0.27	-0.29
12 month	0.91	0.34	-0.02	-0.06	-0.14	-0.23	-0.25
Commercial paper[3]							
3 month	1.09	0.55	0.31	0.28	0.25	0.25	0.29
6 month	1.36	0.91	0.42	0.65	0.49	0.35	0.29
12 month	1.59	0.91	0.53	0.48	0.34	0.33	0.25

Source: Thomson Datastream and CNMV.

1 Monthly average of daily data.

2 Data to 15 November.

3 Interest rates at issue.

Yields on long-dated debt also fell to annual lows in late September. Corporate bonds were additionally buoyed by the start of the ECB's purchase programme.

Yields on medium- and long-term government bonds also fell in the second half-year, by between 6 bp and 18 bp comparing mid-November with mid-year rates, although the ten-year yield did go as far as 50 bp down during September, when returns on three-, five- and ten-year public debt also set historical lows of -0.11%, 0.04% and 0.88% respectively. Despite subsequent rises, yields in all tenors at the end of the second half-year remain below their year-start level. The ten-year bond, the most liquid, pays 32 bp less than when the year began. Three-, five- and ten-year notes were yielding 0.04%, 0.28% and 1.33% respectively in mid-November (see Table 10). Corporate debt traced a similar pattern but with even steeper falls in yields, between 16 bp and 28 bp as, even though the market was pre-warned about the ECB's plans to buy up corporate debt and had already partly priced in their impact, the actual purchases only began in June. The falls were sharpest in three-year bonds, where yields dropped 28 bp compared to the previous half-year, with short-lived dips of up to 50 bp in ten-year bonds in late September. At the closing date of this report (15 November), yields on three-, five- and ten-year notes were 0.53%, 1.34% and 1.87%, respectively.

Medium and long term interest rates[1]

TABLE 10

%	Dec 13	Dec 14	Dec 15	Mar 16	Jun 15	Sep 16	Nov 16[2]
Government bonds							
3 year	2.00	0.65	0.24	0.13	0.10	-0.05	0.04
5 year	2.68	0.96	0.72	0.55	0.46	0.12	0.28
10 year	4.15	1.77	1.72	1.51	1.47	0.99	1.33
Corporate bonds							
3 year	2.63	0.84	0.66	0.63	0.81	0.53	0.53
5 year	2.84	1.88	1.95	1.65	1.51	1.09	1.34
10 year	4.46	2.32	2.40	2.11	2.04	1.54	1.87

Source: Thomson Datastream, Reuters and CNMV.

1 Monthly average of daily data.

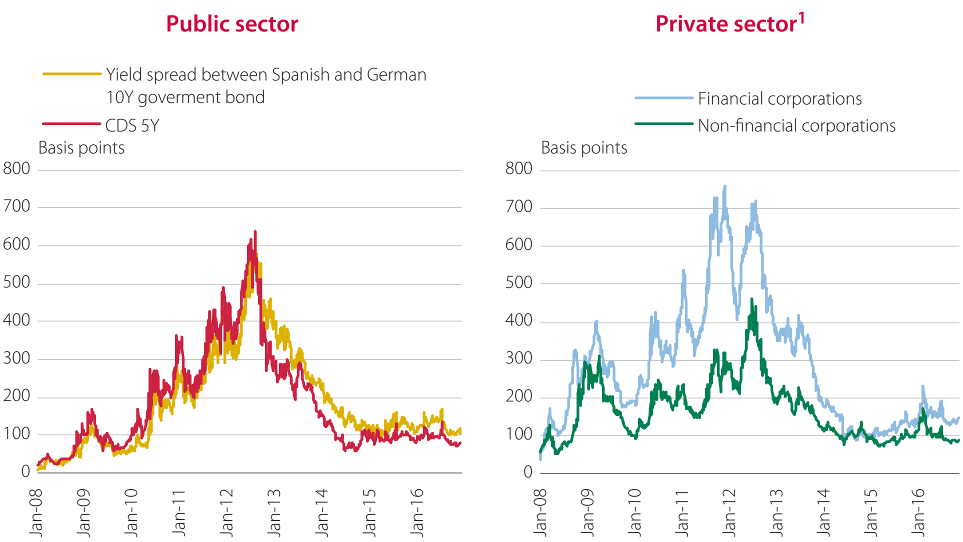
2 Data to 15 November.

Risk premiums fell, particularly in the financial sector. The sovereign bond's risk premium drops to 115 bp, close to their year-start levels.

Risk premiums in the diverse sectors of the private economy broadly tracked the trend in public debt in the third quarter, although financials, being the likeliest winners from a rising-rate environment, saw the greatest narrowing. Shrugging off the brief post-Brexit turbulence, sovereign risk premiums continued to benefit from the ECB's purchase programmes and the reduction in political uncertainty after Spain finally got itself a new government. The yield spread between the Spanish and German benchmarks was less volatile than in the previous quarter, trading mostly between 100 bp and 120 bp, although occasionally dipping below the lower bound of this range. At mid-November, the premium based on this spread was around 115 bp, below the 135 bp of the second quarter and similar to its level when the year began. On the CDS market, the premium traded on the Spanish sovereign CDS once again showed less fluctuation than the yield spread over the bund and movements were more restrained. It ended the period at 78 bp, below the 104 bp and 89 bp at which it began the quarter and year respectively (see left-hand panel of Figure 18).

Risk premium paid by Spanish issuers

FIGURE 18



Source: Thomson Datastream and CNMV. Data to 15 November.

1 Simple average of five-year CDSs from a sample of issuers.

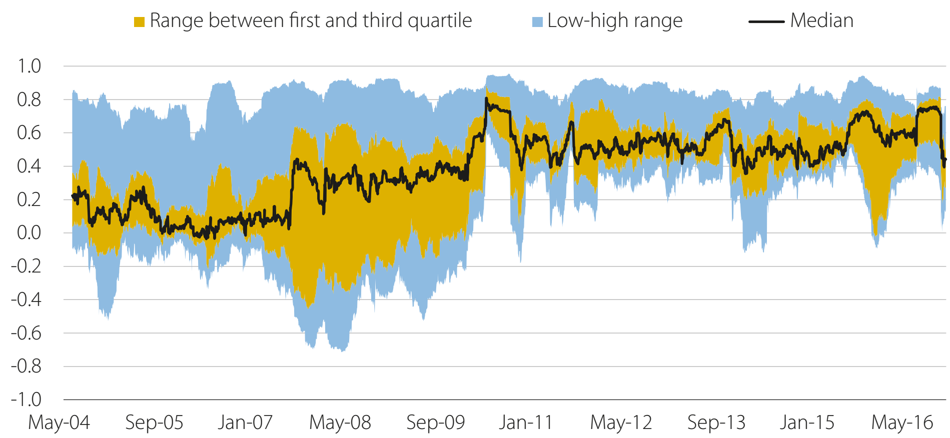
In the private sector, financial issuers would get a boost from any future rate hikes, while non-financials tend to be more stable.

Private sector borrowers continue to benefit from the ECB's corporate debt purchase programme. Credit risk premiums on corporate bonds performed positively, with the biggest falls in the financial sector. Although there has never been a specific programme to buy paper issued by financial entities (excluded from the corporate debt purchase programme), the market, as we said, has been assuming banks would profit from any hike in interest rates and could rebuild margins once rates turned positive. As is clear from the right-hand chart in Figure 18, the average CDS spread of Spanish financials in mid-November was 146 bp, down from the third-quarter's 175 bp and similar to its level at the start of the year. For non-financial corporations, average risk premiums were 93 bp at the same date, below the 108 bp and 112 bp of the prior quarter and end-2015 respectively.

Correlations between the price of Spain's financial assets remains high for most of the year but weakens in the last quarter.

The prices of Spanish financial assets remained closely correlated during most of the third quarter (see Figure 19) as all suffered more or less equally from the Brexit effect. However, in the fourth quarter, average correlations fell from around 0.70 to near 0.40. The downtrend started before the results of the US elections were known, though these may well have exacerbated the differences in the behaviour of fixed-income and equity assets. The range of correlations between assets widened resulting in weaker correlations between some sets of asset pairs, partly because the ECB's bond-buying programme tends to insulate fixed-income instruments from some market shocks.

Correlation between classes of Spanish financial assets[1] FIGURE 19



Source: Thomson Datastream and CNMV. Data to 15 November.

1 The indicator of correlation between asset classes is based on pairs of correlations calculated using daily data in three-month windows. The asset classes are sovereign debt, corporate fixed income of financial and non-financial firms and Ibex 35 stocks of financial corporations, utilities and the other sectors.

The volume of issues registered in 2Q is the lowest of recent times. Year-to-date issuance stands at 92.60 billion euros, nearly 8.80 billion less than in 2015.

The CNMV recorded 22.71 billion euros of gross bond issuance in the second half of the year (to 15 November), less than a third of the 69.97 million euros of the first six months. Issuance is running at its lowest in recent semesters and has been heavily affected by a resurgence of traditional bank funding, both in terms of volume and prices, and by Spain's biggest companies preferring to tap markets abroad. The slump affected the traditionally heavy-volume assets, particularly mortgage covered bonds where issuance fell by more than 17 billion euros to barely a sixth of the first-half total, but with sharp drops too in non-convertible bonds and debentures and securitisations, where issuance was down by 84% and 73% respectively versus the first half. On the plus side, there were notable rises in territorial covered bonds, with 64% more issued in the period, and the first ever issue of international covered bonds in a 1.50 billion euro operation. Year-to-date issuance was 92.60 billion, nearly 8.80 billion less than in the same period 2015, with the biggest declines in non-convertible bonds and debentures and commercial paper – competing with a popular international market – and, to a lesser extent, mortgage covered bonds, where issuance was curtailed by the still falling volume of mortgages in circulation.

Gross fixed-income issues

TABLE 11

					2016		
Registered[1] with the CNMV	**2012**	**2013**	**2014**	**2015**	**2Q**	**3Q**	**4Q[2]**
NOMINAL AMOUNT (million euros)	**357,830**	**138,839**	**130,258**	**136,607**	**29,252**	**13,523**	**9,156**
Mortgage bonds	102,170	24,800	23,838	31,375	10,200	0	3,000
Territorial bonds	8,974	8,115	1,853	10,400	2,750	2,500	2,000
Non-convertible bonds and debentures	86,442	32,537	41,155	39,100	4,054	1,411	559
Convertible/exchangeable bonds and debentures	3,563	803	750	53	0	0	0
Asset-backed securities	23,800	28,593	29,008	28,370	4,656	4,186	1,613
Domestic tranche	20,627	24,980	26,972	25,147	4,589	3,865	729
International tranche	3,173	3,613	2,036	3,222	67	321	884
Commercial paper[3]	132,882	43,991	33,654	27,310	7,593	3,925	1,984
Securitised	1,821	1,410	620	2,420	580	0	480
Other commercial paper	131,061	42,581	33,034	24,890	7,013	3,925	1,504
Other fixed-income issues	0	0	0	0	0	1,500	0
Preference shares	0	0	0	0	0	0	0
Pro memoria:							
Subordinated issues	7,633	4,776	7,999	5,452	130	733	82
Other issues	0	193	196	0	0	0	0
					2016		
Abroad by Spanish issuers	**2012**	**2013**	**2014**	**2015**	**1Q**	**2Q**	**3Q[4]**
NOMINAL AMOUNT (million euros)	**91,882**	**47,852**	**56,736**	**65,602**	**12,758**	**19,596**	**9,786**
Long term	50,312	34,452	35,281	32,362	4,594	12,887	4,234
Preference shares	0	1,653	5,602	2,250	0	1,200	0
Subordinated debt	307	750	3,000	2,918	0	1,544	170
Bonds and debentures	50,005	32,049	26,679	27,194	4,594	10,143	4,064
Asset-backed securities	0	0	0	0	0	0	0
Short term	41,570	13,400	21,455	33,240	8,164	6,709	5,552
Commercial paper	41,570	13,400	21,455	33,240	8,164	6,709	5,552
Securitised	11,590	0	0	0	0	0	0
***Pro memoria:* Gross issuance by subsidiaries of Spanish companies resident in the rest of the world**							
					2016		
	2012	**2013**	**2014**	**2015**	**1Q**	**2Q**	**3Q[4]**
NOMINAL AMOUNT (million euros)	**49,392**	**48,271**	**41,682**	**55,835**	**12,038**	**15,923**	**16,123**
Financial corporations	18,418	8,071	9,990	15,424	2,964	2,497	4,408
Non-financial corporations	30,974	40,200	31,691	40,411	9,074	13,426	11,715

Source: CNMV and Banco de España.

1 Incorporating issues admitted to trading without a prospectus being filed.

2 Data to 15 November.

3 Figures for commercial paper issuance correspond to the amount placed.

4 Data to 30 September.

Mortgage covered bonds decline relative to securitisations, which now make up nearly a third of annual issuance.

By type of instrument, mortgage covered bonds fell most sharply out of favour, accounting for just 13% of total issuance in the second half-year against 29% to June. As we said, new issues of these assets depend on the volume of mortgages available. Even allowing for this, though, the costs of issue are helped by ECB buying of covered bonds under its CPP3 programme, which hoovered up 199 billion in bonds to 11 November, 29% of these in the primary market. Territorial covered bonds were, in contrast, more popular, making up one fifth of all issuance, as was commercial paper which, although volumes fell by over 7 billion euros in absolute terms, still grew their market share to 26% in the second half-year, up from 19% in the first half, making these and securitisations the top two instruments by issuance over the period.

Fixed-income issuance abroad continues to fall in both volume and share of the total. It is split equally between long-term debt and short-term commercial paper.

Fixed income issuance abroad halved in the third quarter as long-term issues dwindled to a third of the volumes raised in the prior quarter. The main issuers have scaled back their long-dated debt programmes as bank finance is now easier and cheaper to obtain, and have in any case already covered much of their financing needs for the year. Many of the new issues therefore went to refinance existing debt more cheaply. Foreign issuance thus fell faster than domestic issuance to 30% of the total raised by Spanish issuers in the third quarter, compared to 40% in the second quarter and 32% in full-year 2015. Year-to-date a total of 42.14 billion euros was raised overseas, compared to 47.90 billion in the 2015 period. By instrument type, commercial paper constituted 57% of the total for the quarter and half for the year, the rest being long-term debt of which only 13% was subordinated or in preference shares. Issuance by Spanish subsidiaries abroad was barely changed in quarterly or annual terms, at 44.08 billion euros in the year to September, compared to 43.47 billion for the year-ago period.

New European rules on benchmark indices and their implications for supervisors

EXHIBIT 3

The *Official Journal of the European Union* of 29 June carried the text of Regulation (EU) 2016/1011 of the European Parliament and of the Council, of 8 June 2016, on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (henceforth, European Regulation on Benchmark Indices), amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014.

The new Regulation stands alongside the recommendations and principles issued by the Financial Stability Board (FSB) and IOSCO in 2014, and the various revisions that followed, as a pillar of authorities' and regulators' global response to the cases of manipulation that have come to light in recent years in connection with the world's most important reference rates, the Euribor, Libor and Tibor.

These cases have called into question the integrity and reliability of these and other indices employed widely in the global finance industry as benchmarks for an ample variety of financial products and contracts. They have been shown to be vulnerable to manipulation, with the resulting deleterious effects on market confidence and integrity, consumers and investors, and, ultimately, the stability of the financial system.

At the root of these weaknesses is the fact that neither the provision of input data and calculation of indices nor the entities in charge of their administration and publication were regulated activities or providers, subject to public supervision.

The European Regulation on Benchmark Indices came into force the day after its publication and its terms will apply as of 1 January 2018, though note that certain provisions like those on critical benchmarks and supervisory colleges have been enforceable since 30 June 2016.

Its goal is to improve the functioning and management of benchmark indices and to ensure that those produced and utilised in the European Union are robust, accurate, representative, fit for their purpose, and not susceptible to manipulation. Steps are accordingly taken to improve their governance and methodology. The idea is that the determination of indices should be free of conflicts of interest, and should be based, where possible, on real transactions and not estimations, as has happened until now.

The Regulation also clarifies the responsibilities attached to the provision of a benchmark index and places this activity, and the entities in charge, under the supervision of the competent authorities.

Critical benchmarks, i.e., those with a potential impact on financial stability, are made subject to stricter rules, such that the competent authority can, for instance, prevent contributors from discontinuing their provision of input data and oblige other entities to contribute for the sake of preserving the benchmark's existence.

New supervisor powers and functions

The Regulation assigns new functions to the competent authorities with regard to the authorisation and registration of benchmark administrators; supervision, inspection and sanctioning; and the establishment of supervisory colleges in the case of critical benchmarks. Their new powers are summarised below:

Authorisation and registration:

– Authorisation and registration of administrators, as appropriate. Also recognition and endorsement of administrators and indices, respectively, with regard to third-country benchmarks intended for use within the European Union.

– Notification to ESMA of all authorised and registered administrators and benchmarks, and all recognised or endorsed third-country benchmarks, for entry into a central public register.

– Withdrawal or suspension of the authorisation or registration of an administrator, whether at the administrator's own request or imposed due to lack of activity, or else when the administrator has obtained its authorisation by irregular means, ceases to meet the conditions of such authorisation or registration, or infringes the provisions of the Regulation.

Supervision, inspection and sanctioning:

– Administrators, contributors and any persons involved in the provision of benchmarks may be subject to supervision, inspection and sanctioning. In order to fulfill their duties under the Regulation, competent authorities shall have full supervisory and investigatory powers, including access to documents and premises, on-site inspections and the possibility of requiring the freezing or sequestration of assets; the temporary cessation of any practice or professional activity considered contrary to the Regulation; and the taking of all necessary measures to ensure that the public is correctly informed about the provision of a benchmark.

– Review and verification of the codes of conduct applicable to critical benchmark contributors to ensure their compliance with the Regulation.

– Review of the written plans that all supervised entities using benchmark indices must produce and maintain, setting out the actions that they would take in the event that a benchmark materially changes or ceases to be provided, and alternative benchmarks that could be referenced to substitute those no longer provided, indicating why they would be suitable alternatives. Such measures should also be reflected in the contractual relation with clients.

Supervisory colleges for critical benchmarks:

– Within 30 business days from the inclusion of a benchmark in the list of critical benchmarks published by the European Commission, the administrator's competent authority shall establish a college comprising itself, in the chair, ESMA and the competent authorities of supervised contributors. Other authorities shall have the right to be members of the college, provided they can demonstrate that the benchmark in question is critical in their Member State.

ESMA is considered a competent authority for these purposes and shall promote and monitor the college's efficient, effective and consistent functioning.

Establishment of the Euribor college

In 2013 the Euribor's administrator launched a reform programme to implement the FSB's recommendations, ahead of the new European rules. This has caused a series of doubts among the banks forming the panel of contributors, to the extent that its membership has been significantly depleted. More exits may follow, leading to a situation where the Euribor is no longer representative and, at worst, might even cease publication.

In view of this risk and the Euribor's systemic importance to Europe and some of its Member States – Spain, for instance, where a large proportion of retail mortgages are linked to this benchmark – the European institutions have fast tracked the powers assigned to the authorities under the new Regulation.

On 12 August last, the European Commission issued a resolution classifying the Euribor as a critical benchmark. The Financial Services and Markets Authority (FSMA), the Belgian authority charged with supervising the Euribor, has begun work on setting up the Euribor college, on which CNMV will sit as a competent authority, since four of its contributors are Spanish banks.

4 Market agents

4.1 Investment vehicles

Mutual funds[14]

Mutual funds shake off a poor opening quarter and grow their assets 3.1 % in the first nine months of 2016.

In the first nine months of 2016, assets under management in mutual funds climbed by 3.1% to 229 billion euros. The year started badly, with a 1.7% dip in assets in the first three months, but the ground lost was more than recouped over two quarters of sturdy growth that restored the industry to the expansion path initiated in 2013. Growth, however, failed to match the brisk pace of previous years (see Table 13).

Net subscriptions favour fixed-income, passively managed and guaranteed equity funds, while redemptions are highest in balanced fund products.

The advance in assets owed entirely to investor subscriptions summing 7.42 billion euros in the first nine months, after a shaky first quarter that concluded with net redemptions of 509 million. But not all categories shared the same fortunes. The best performers were fixed-income funds, with 6.32 billion in net subscriptions, followed by passively managed and guaranteed equity products with 4.16 and 4.04 billion respectively. Global funds too performed creditably, netting 3.18 billion. The least popular in the period were balanced products, with balance fixed-income and equity funds experiencing net outflows of 3.37 and 3.41 billion respectively. This marks a slight trend shift versus prior years, when investors displayed a keener appetite for risk in response presumably to the low interest-rate environment, translating as major outflows from guaranteed funds and inflows to balanced products. Global and fixed-income funds, finally, continued to expand, albeit with the former gaining speed and the latter suffering an evident loss of momentum.

The portfolio losses affecting most fund categories in the first three months tended to be made up in the following quarters.

Fund portfolio returns to September were practically zero (-0.07%), after first-quarter losses (-1.36%) were clawed back in the second and, more so, the third quarter. Fixed-income, guaranteed fixed-income and guaranteed equity funds were the top performers after holding up better in the opening quarter, although gains, in all cases, were an extremely modest 0.5% approximately. The heaviest losses corresponded to euro equity funds, which ended the nine-month period at -4.16%, despite a strong third quarter showing (7.89%).

14 Although this classification includes hedge funds and funds of hedge funds, we make no separate reference to them here, since they are the subject of their own subsection further ahead.

Net mutual fund subscriptions

TABLE 12

Million euros	2013	2014	2015	2015	2016		
				4Q	1Q	2Q	3Q
Total mutual funds inversión	**24,133.0**	**35,972.7**	**23,466.6**	**353.0**	**-492.4**	**2,014.2**	**5,898.7**
Fixed income[1]	13,783.1	13,492.7	-5,351.4	-1,577.6	2,078.5	1,836.1	2,400.8
Balanced fixed income[2]	2,059.3	15,712.0	21,167.5	966.1	-1,604.4	-562.3	-1,200.0
Balanced equity[3]	1,881.9	6,567.7	8,153.8	750.5	-712.8	-383.0	-2,312.2
Euro equity[4]	1,730.3	2,184.9	468.9	221.6	-251.6	-410.1	-172.6
International equity[5]	900.2	531.8	4,060.5	619.8	-324.4	-99.6	237.2
Guaranteed fixed-income	-4,469.2	-10,453.6	-6,807.4	-823.0	-1,268.2	-964.9	-813.1
Guaranteed equity[6]	-2,070.2	-909.5	-2,599.8	100.3	1,752.9	1,520.5	770.1
Global funds	847.4	2,182.3	5,805.3	651.2	-78.0	-283.2	3,537.5
Passively managed[7]	9,538.2	4,970.9	-6,264.2	-1,130.6	-152.4	1,328.1	2,983.2
Absolute return[7]	-67.8	1,693.9	4,811.4	587.1	77.4	42.5	467.8

Source: CNMV. Estimates only.

1 Includes: Euro and international fixed income and money market funds (as of 3Q 2011, money market funds encompass those engaging in money market and short-term money market investments, Circular 3/2011).
2 Includes: Euro and international balanced fixed income.
3 Includes: Euro and international balanced equity.
4 Includes: Euro equity.
5 Includes: International equity.
6 Includes: Guaranteed and partial protection equity funds.
7 New categories as of 2Q 09. Absolute return funds were previously classed as global funds.

Fund numbers start to stabilise after the depletion of the last few years…

The number of funds appears to be stabilising after falling sharply since 2013 (381 fewer in three years). By end-September this year, a total of 1,810 funds were on the register, six more than at the 2015 close. The largest increases were in euro equity (24) followed by passively managed funds (22), recalling their growth spurt of 2014. Only three categories saw fund closures in the period: guaranteed equity (51), balanced fixed-income (11) and global funds (9).

… while unit-holder numbers top the eight million mark, with 200,000 new investors joining in the third quarter alone.

Unit-holder numbers mirrored the progress of assets, with a 4.4% rise to September that carried them above the eight million mark. The largest advance was in the third quarter, when the industry captured over 200,000 new investors. Global funds were strongly to the fore, with an additional 244,000 clients, followed by passively managed and fixed-income funds with 127,000 and 112,000 respectively. Balanced equity funds, where numbers had tripled in the previous two years, saw the largest outflow of investors, down by 161,000 to 451,000 at the September close. Also losing out were guaranteed fixed-income and balanced fixed-income funds, with a decrease of 97,000 unit-holders in both cases. Note that in the former case the outflow dates to 2014, while for the latter this is the first reduction in the past three years.

Main mutual fund variables*

TABLE 13

				2015	2016		
Number	**2013**	**2014**	**2015**	**4Q**	**1Q**	**2Q**	**3Q**
Total mutual funds	**2,045**	**1,951**	**1,804**	**1,804**	**1,799**	**1,809**	**1,810**
Fixed income[1]	384	359	319	319	309	312	308
Balanced fixed income[2]	122	123	132	132	135	138	146
Balanced equity[3]	128	131	142	142	147	156	166
Euro equity[4]	108	103	109	109	111	111	112
International equity[5]	193	191	200	200	201	197	201
Guaranteed fixed-income	374	280	186	186	171	155	135
Guaranteed equity[6]	308	273	205	205	204	201	196
Global funds	162	162	178	178	185	198	200
Passively managed[7]	169	227	213	213	221	222	221
Absolute return[7]	97	102	97	97	92	98	104
Assets (million euros)							
Total mutual funds	**156,680.1**	**198,718.8**	**222,144.6**	**222,144.6**	**218,339.2**	**220,296.0**	**229,117.4**
Fixed income[1]	55,058.9	70,330.9	65,583.8	65,583.8	67,765.4	70,308.6	73,001.3
Balanced fixed income[2]	8,138.0	24,314.3	44,791.8	44,791.8	42,585.9	40,541.2	39,644.2
Balanced equity[3]	6,312.4	13,570.4	21,502.9	21,502.9	20,170.2	17,595.1	15,601.3
Euro equity[4]	8,632.8	8,401.5	9,092.9	9,092.9	8,160.0	7,410.3	7,795.7
International equity[5]	8,849.0	12,266.4	17,143.2	17,143.2	16,162.8	15,424.4	16,274.4
Guaranteed fixed-income	31,481.2	20,417.0	12,375.6	12,375.6	10,818.8	9,854.5	9,066.1
Guaranteed equity[6]	12,503.8	12,196.4	9,966.6	9,966.6	11,862.3	13,277.3	14,064.6
Global funds	4,528.1	6,886.3	12,683.3	12,683.3	12,300.8	16,190.4	20,067.8
Passively managed[7]	16,515.9	23,837.5	17,731.1	17,731.1	17,403.6	18,534.2	21,872.0
Absolute return[7]	4,659.9	6,498.1	11,228.1	11,228.1	11,073.7	11,134.1	11,704.0
Unit-holders							
Total fondos de inversión	**5,050,719**	**6,409,806**	**7,682,947**	**7,682,947**	**7,699,646**	**7,800,091**	**8,022,683**
Total mutual funds	1,508,009	1,941,567	2,203,847	2,203,847	2,222,005	2,274,700	2,315,533
Fixed income[1]	240,676	603,099	1,130,190	1,130,190	1,113,180	1,075,219	1,033,454
Balanced fixed income[2]	182,223	377,265	612,276	612,276	596,136	556,818	451,040
Balanced equity[3]	293,193	381,822	422,469	422,469	412,495	392,465	387,786
Euro equity[4]	457,606	705,055	1,041,517	1,041,517	1,052,810	1,052,225	1,138,697
International equity[5]	1,002,458	669,448	423,409	423,409	378,017	355,577	325,955
Guaranteed fixed-income	608,051	557,030	417,843	417,843	463,423	497,543	515,563
Guaranteed equity[6]	128,741	223,670	381,590	381,590	383,066	456,609	625,931
Global funds	441,705	686,526	554,698	554,698	557,262	609,995	681,545
Passively managed[7]	188,057	264,324	479,182	479,182	505,442	513,724	532,149
Return[8] (%)							
Total mutual funds	**6.50**	**3.67**	**0.89**	**1.51**	**-1.36**	**-0.03**	**1.34**
Fixed income[1]	2.28	2.41	0.10	0.38	0.16	0.23	0.34
Balanced fixed income[2]	4.16	3.67	0.16	0.97	-1.27	0.30	0.69
Balanced equity[3]	10.85	4.70	0.15	2.43	-2.84	0.00	1.75
Euro equity[4]	28.06	2.09	3.44	4.12	-6.99	-4.49	7.89
International equity[5]	20.30	6.61	7.84	6.30	-4.62	-0.44	4.00
Guaranteed fixed-income	4.96	2.54	0.27	0.09	0.09	0.19	0.27
Guaranteed equity[6]	6.15	2.64	1.07	1.18	-0.87	0.37	0.97
Global funds	8.71	4.63	2.45	2.33	-2.21	0.02	2.10
Passively managed[7]	8.88	7.74	0.53	1.23	-1.13	-0.03	1.63
Absolute return[7]	2.46	1.98	0.12	0.45	-0.51	0.12	0.65

Source: CNMV. *Data for funds that have filed financial statements (i.e., not including those in the process of winding-up or liquidation).

1 Includes: Euro and international fixed income and money market funds (as of 3Q 2011, money-market funds encompass those engaging in money market and short-term money market investments, Circular 3/2011).

2 Includes: Euro and international balanced fixed income.

3 Includes: Euro and international balanced equity.

4 Includes: Euro equity.

5 Includes: International equity.

6 Includes: Guaranteed equity and partial protection equity funds.

7 New categories as of 2Q 2009. All absolute return funds were previously classed as Global funds.

8 Annual return for 2013, 2014 and 2015. Quarterly data comprise non-annualised quarterly returns.

Less-liquid assets as a proportion of the mutual fund fixed-income portfolio appear to be settling in the 1.2%-1.4% range.

After years of solid improvement, the liquidity of the fixed-income portfolio has apparently levelled off over 2015 and 2016 (to September). Less-liquid assets have ranged from 1.2% to 1.4% of the total in recent quarters, far from 2009's peak levels bordering on 9%. At end-September, the sum of less-liquid assets was 2.85 billion euros, 1.24% of the total and 7.7% less than the figure for last June. By category, the biggest variation was in the less-liquid assets held in the fixed-income portfolio of financial corporations rated below AA, which dropped by 15.4% in January-September to 231 million euros. The volume of asset-backed securities defined as less liquid fell by 160 million euros, although in relative terms their share of the portfolio was substantially higher.

Estimated liquidity of mutual fund assets TABLE 14

	Less-liquid investments					
	Million euros			% total portfolio		
Type of asset	Mar 16	Jun 16	Sep 16	Mar 16	Jun 16	Sep 16
Financial fixed income rated AAA/AA	71	77	43	6.0	7.0	3.9
Financial fixed income rated below AAA/AA	1,315	1,611	1,266	6.5	7.6	5.7
Non-financial fixed income	383	463	627	3.6	3.8	4.8
Securitisations	1,010	939	917	48.2	58.7	61.6
AAA-rated securitisations	26	23	20	86.6	86.9	87.4
Other securitisations	984	915	897	47.6	58.2	61.2
Total	**2,779**	**3,089**	**2,852**	**8.1**	**8.6**	**7.6**
% of mutual fund assets	**1.3**	**1.4**	**1.2**			

Source: CNMV.

Real estate schemes

Stability has been the hallmark of the real estate investment sector since 2015.

Key real estate scheme variables remained largely unchanged in the first nine months of 2016, as they had done in the closing stretch of 2015.

The funds segment sees little change in the first nine months. Portfolio returns stay negative but to a somewhat lesser extent.

This was the funds segment hit hardest by the real estate downturn but it maintained an even keel, closing the period with the same three schemes operative as at year-end 2014. At the end of September, fund assets stood at 376.9 million euros, 3.6% down versus December 2015 after a cumulative return in the first three quarters of -3.6%. This is better than at the height of the crisis, but suggests that sector recovery is not yet strong enough to produce a turnaround in real estate fund portfolios.

Despite no change in numbers and only a small advance in assets, companies see shareholder growth of 17% between January and September.

The number of real estate investment companies was likewise unchanged to September, with the same six entities in operation as in the third quarter of 2015. Assets in this sub-sector edged 1.7% higher in the first nine months to 714.3 million euros, while the number of shareholders jumped from 583 to 682. Behind this increase is the fact that the last company to join the register, in 2015, recruited in large numbers between April and September this year.

Hedge funds

Hedge fund assets contracted by 5% to 1.98 billion euros in the first six months of 2016. As at 31 October, 50 schemes were filing financial statements with the CNMV (40 hedge funds and 10 funds of hedge funds), two more than at end-2015 following five new entries and three deregistrations.

Assets in Spanish hedge funds fall slightly in the first six months of 2016.

As we can see from Table 15, pure hedge funds had 1.69 billion assets at the end of the first half-year. This was 4.2% down versus the 2015 close, breaking with two years of robust expansion that had boosted sector assets by 70.2%. The decline owed to both net redemptions (38.7 million in January-June 2016) and portfolio losses of -1.79% after several years of sturdy returns. In parallel, unit-holder numbers fell by 5.2% to 2,928.

The contraction in pure hedge fund assets is a product of 39 million net outflows and portfolio losses of -1.8%.

Fund of hedge fund assets shrank by 9.1% to 290.6 million euros, prolonging the contraction trend of recent years. Unit-holder numbers reduced by ten to 1,255, while the global portfolio return in the six-month period was -2.3%.

Funds of hedge funds also experience asset shrinkage (-9.1%) and negative returns (-2.3%).

Main hedge fund and fund of hedge fund variables TABLE 15

				2015		2016	
	2013	2014	2015	3Q	4Q	1Q	2Q
FUNDS OF HEDGE FUNDS							
Number[1]	19	14	11	11	11	11	10
Unit-holders	3,022	2,734	1,265	1,365	1,265	1,262	1,255
Assets (million euros)	350.3	345.4	319.8	338.0	319.8	306.3	290.7
Return (%)	4.39	8.48	6.16	-1.90	2.07	-2.89	0.56
HEDGE FUNDS							
Number[1]	28	36	37	37	37	37	39
Unit-holders	2,415	2,819	3,089	3,121	3,089	3,011	2,928
Assets (million euros)	1,036.7	1,369.5	1,764.8	1,708.4	1,764.8	1,652.2	1,690.2
Return (%)	16.48	5.30	4.97	-5.56	3.90	-1.30	-0.50

Source: CNMV.

1 Number of funds filing financial statements (i.e., not including those in the process of winding-up or liquidation).

Foreign UCITS marketed in Spain

The expansion enjoyed by this segment since 2012 (with investment volumes tripling between 2011 and 2015) continued this year at an appreciably slower pace, with assets up by 4% to 112.47 billion euros at end-September. This was 29.8% of the total assets in collective investment schemes marketed in Spain, on a par with the percentage of the 2015 close (see Figure 20).

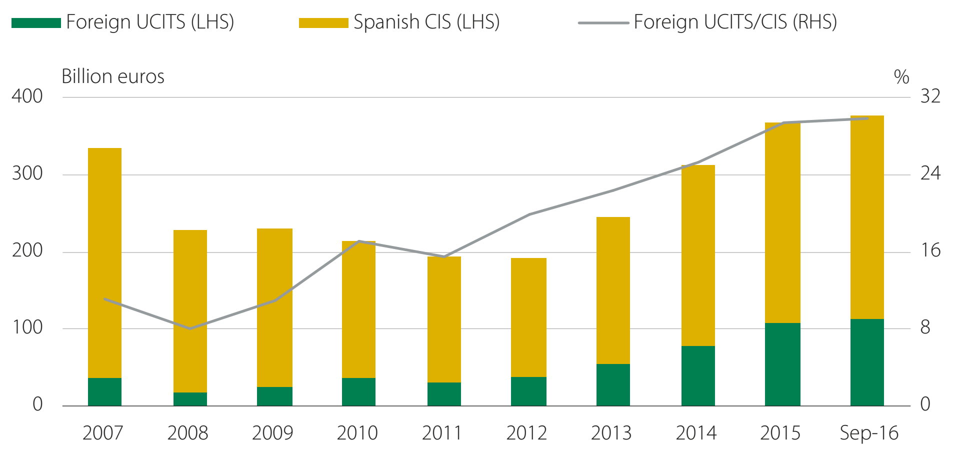
Growth of foreign UCITS marketed in Spain since 2012 is evidently flagging…

Growth drew mainly on fund products, which increased their assets 27.4% in the period to 19.50 billion euros, while investment companies saw only modest expansion of 0.2% to 92.97 billion. Investor numbers, meantime, rose 3% in companies and 4.3% in funds as far as a combined 1.7 million, 3.2% more than in December

… albeit with divergences between the still expanding funds segment and companies, where growth has appreciably levelled off.

2015. The number of schemes registered with the CNMV also increased in both cases, with the addition of 12 more funds and 35 more companies giving 437 and 490 respectively at end-September 2016. Most new entrants, as in previous quarters, came from Luxembourg and Ireland.

Assets of foreign UCITS marketed in Spain FIGURE 20



Source: CNMV.

Outlook

Low interest rates are a boon for the fund industry, but market instability may dampen growth and steer investors back to less risky products.

The collective investment industry has come back strongly since 2012 after a run of troubled years, and now appears to be entering a period of stability characterised by considerably slower growth, with figures even turning negative in the first quarter of 2016. In the short and medium term, collective investment should continue to benefit from the low interest rates in the economy. However bond market turbulence and equity market volatility remain risks to be reckoned with. The former has in recent years driven investors into riskier products, especially balanced funds, while the latter is luring them back to supposedly safer funds in the fixed-income segment.

Depositaries Circular. Independent Directors EXHIBIT 4

On 13 October 2016, CNMV Circular 4/2016, of 29 June, on the functions of depositaries for collective investment schemes and entities regulated by Law 22/2014, of 12 November, regulating venture capital firms, other closed-ended collective investment funds and investment management firms for closed-ended funds, amending Law 35/2003, of 4 November, on collective investment schemes.

Its purpose is to set out the regime for depositaries, limiting the scope of their functions and laying down some technical specifications. The Circular complements the European standards set out in Commission Delegated Regulation (EU) No. 231/2013, of 19 December 2012, supplementing Directive 2011/61/EU of the European Parliament and of the Council, with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision, for alternative investment funds and Commission Delegated Regulation (EU) 2016/438, of 17 December 2015, supplementing Directive 2009/65/EC of the European Parliament and of the Council, with regard to the obligations of depositaries, applying to undertakings for collective investment in transferable securities (UCITS).

It also regulates the specific cases of depositaries which, in certain circumstances, venture capital firms and closed-ended collective investment schemes are obliged to have under Law 22/2014. Much of the Circular's content merely recycles the previous regulations in Order EHA/596/2008, of 5 March, regulating aspects of the legal regime for scheme depositaries, and spells out the mandatory content of the position statements.

One innovation, however, is the cataloguing of custodiable and non-custodiable financial assets. It also defines some technical specifications for reconciliations, custody, registration of non-custodiable assets and the administration and control of cash, and requires that the depositary play a role in both registration and cash control and authorises the corresponding movements. This is a continuation of the previous regulations.

The Circular also regulates the criteria for delegation of custody. It states that for the purposes of Article 135.2 b) of Royal Decree 1082/2012, of 13 July, approving the Implementing Regulations of Law 35/2003, of 4 November, on collective investment schemes, one of the objective grounds for delegation is when the depositary does not participate in the clearing, settlement and registration systems. Accordingly, for an entity to be designated as a CIS depositary it must be able to exercise direct custody over an asset class. Otherwise, it risks the emergence of entities claiming to be CIS depositaries but which in fact merely outsource the actual business of custody.

It also specifies the criteria that depositaries must apply when appointing and subsequently monitoring third parties and for the purpose of supervising risks in the custody chain. And it adds strictures regarding external legal advice, which must be sought by both depositary and subcustodian in the case of harmonized CISs.

For the depositaries of entities regulated by Law 22/2014, it was decided to retain the legal regime for CISs but with a number of additional specifications to reflect the differing nature of the assets in which these firms invest (for instance, less frequent reconciliation).

In addition, the Circular sets out a number of technical specifications regarding the depositary's duty of supervision and oversight (of subscriptions and redemptions, NAV calculation, ratios, limits and suitable assets, dividends and information to report to the CNMV), again allowing for the specificities of firms regulated by Law 22/2014. In these respects, too, the new standard conforms to the old.

Finally, the Circular seeks to simplify and unify regulations governing depositaries by incorporating CNMV Circular 3/2009, of 25 March, on the content of the half-yearly report on CIS depositaries' compliance with their supervision and oversight obligations. In the case of entities regulated by Law 22/2014, it specifies the content of the periodic report on the depositary's compliance with supervision and oversight obligations and the reporting of major anomalies to the ECR and EICC.

In parallel with this Circular, one other innovation needs mentioning. Delegated Regulation (EU) 2016/438 on UCITS introduced new requirements for independence between the manager and the depositary. Specifically, when the fund manager and depositary belong to the same group, independent members must make up at least either one-third or two of the members of both boards (whichever is lower).

This requirement has further implications, since Law 22/2015, of 20 July, on Auditing, requires managers of harmonised public-interest CISs (with at least 5,000 unit-holders or shareholders) which are not small- or medium-sized to have in place an audit committee with a majority of independent directors, if their specific regulations require the presence of independent directors on the board.

4.2 Investment firms

The 2015 pattern repeats. Investment firms' profits fall by 19% in the year to September, on unsettled markets.

Spain's investment firms had to contend with uncertainty and instability on financial markets in the early months of the year. This was reflected in their aggregate profits: 146.5 million euros between January and September, 18.8% down on the same period in 2015.[15] So, last year's weak performance continues in a sector that had grown promisingly in 2013 and 2014 (see Figure 21). The number of firms registered with the CNMV at end-October this year was 84, three more than at end-2015 after nine new listings and six deregistrations. Five firms are passported to operate in other EU countries through a branch, one fewer than at end-2015, and 39 under free provision of service rules, two fewer than nine months ago.

Broker-dealer profits fall 14%, mirroring the fall in fee income. The biggest decline affects order processing and execution (-26 %). On the upside, fees from security depositary and registration services jump to 35 million euros.

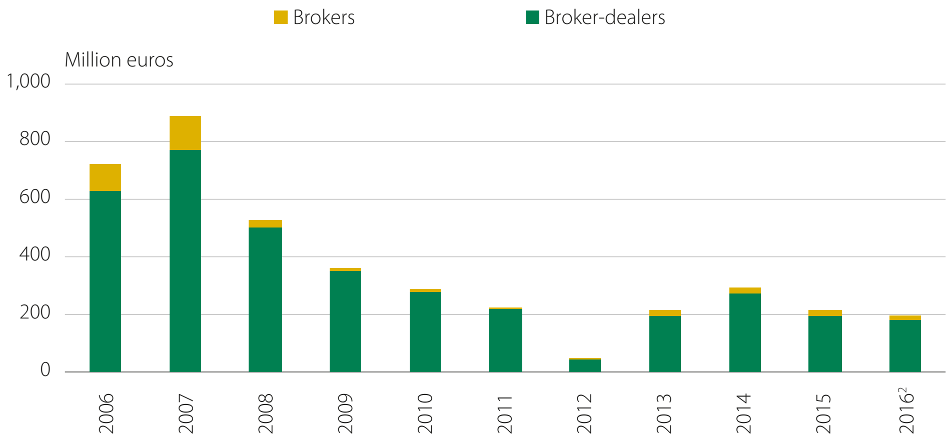
Broker-dealers, who contribute around 90% of the sector's total profits, experienced a fall-off in business, with aggregate pre-tax profit dropping by 14.3% to 134.7 million (see Table 16). Driving the fall were lower fee income and results from financial investments. Fees were down by 14% compared to January-September 2015, at 407.9 million euros. Fees from order processing and execution suffered the greatest absolute decline to 184.4 million euros in the first three quarters of 2016, a year-on-year fall of 26.2%. These fees remain by some distance the most important earners for broker-dealers but now make up less than 50% of the total compared to the 70% peak of 2010. In contrast, the second biggest source of fee income, CIS marketing, grew by a further 1.6% to 55.8 million euros (on top of the 17.4% growth of 2015). We should also highlight the 90% leap in fees for securities depositary and registration services, to nearly 35 million euros.

15 Not including investment advisory firms, for which no data are available since December 2015.

Still above the net operating income line, the other stand-out item, as mentioned above, was results from financial investments, down by 54.7% to 84.3 million euros. The 26% increase in net interest income and 13.9% fall in fee expense, however, left gross income in the year to September at 394.7 million euros, a reduction of 9.2% on the year-ago period. Coupled with rising depreciation and operating expenses falling much more slowly than income (by 6.5% to 26.2 million euros), this meant that the final operating income to September 2016 was 120.1 million euros, down 20.9% on the same period 2015.

The 55% drop in results from financial investments, heavy depreciation, and operating costs declining slower than income, have played a big part in undermining earnings.

Investment firm pre-tax profits[1] FIGURE 21



Source: CNMV.

1 Not including investment advisory firms and portfolio managers.

2 Annualised data.

Brokers also suffered a drop in activity over the period with profits down by 50.7% to 9.9 million euros. In the main, this was for the same reason as broker-dealers, a fall in fee income, exacerbated by a slight increase in operating expenses. Underlying the decline in fees was a drop-off in brokers' two biggest sources of fee income – CIS marketing and order processing and execution – which together make up over 60% of the total. Fund fee volumes dipped by 6.3% to 37 million euros while order processing and execution fees slumped by 25.7%, in line with the fall experienced by broker-dealers. On the other hand, portfolio management fees, now the third-biggest earner for brokers, advanced 11.2% to 8.2 million euros. Overall, the dip in fees received and a modest 2.3% increase in fee expense eroded brokers' gross income by 9.3% to 78.1 million euros. Finally, a 1.4% rise in operating expenses left net operating profit down by 49.8% compared to September 2015, at 9.6 million euros.

Brokers' profits are half what they were in the same period in 2015, the main culprits being lower fee income, particularly for order processing and execution (-26%) and CIS marketing (-6.3%).

Aggregate income statement (Sep 16) TABLE 16

	Broker-dealers			Brokers		
Thousand euros	Sep 15	Sep 16	% change	Sep 15	Sep 16	% change
1. Net interest income	39,104	49,275	26.0	633	614	-3.0
2. Net fee income	326,720	280,710	-14.1	83,955	78,389	-6.6
2.1. Fee income	474,430	407,854	-14.0	99,357	94,142	-5.2
2.1.1. Order processing and execution	249,783	184,438	-26.2	25,069	18,617	-25.7
2.1.2. Placement and underwriting	10,659	5,198	-51.2	2,296	1,692	-26.3
2.1.3. Securities administration and custody	18,355	34,873	90.0	361	449	24.4
2.1.4. Portfolio management	16,133	16,933	5.0	7,362	8,188	11.2
2.1.5. Investment advising	2,575	1,909	-25.9	5,262	5,863	11.4
2.1.6. Search and placement	1,420	1,641	15.6	186	40	78.5
2.1.7. Margin trading	0	0	–	0	0	–
2.1.8. CIS marketing	54,906	55,758	1.6	39,519	37,047	-6.3
2.1.9. Others	120,597	107,104	-11.2	19,302	22,247	15.3
2.2. Fee expense	147,710	127,144	-13.9	15,402	15,753	2.3
3. Results of financial investments	186,154	84,290	-54.7	319	176	-44.8
4. Net exchange differences	-127,967	-29,944	76.6	612	-147	–
5. Other operating income and expense	10,862	10,391	-4.3	624	-920	–
GROSS INCOME	**434,873**	**394,722**	**-9.2**	**86,143**	**78,122**	**-9.3**
6. Operating expenses	282,735	264,236	-6.5	66,229	67,130	1.4
7. Depreciation and other charges	4,706	10,084	114.3	802	1,403	74.9
8. Impairment losses	-4,437	319	–	8	-3	–
NET OPERATING INCOME	**151,869**	**120,083**	**-20.9**	**19,100**	**9,582**	**-49.8**
9. Other profit and loss	5,328	14,607	174.2	898	269	-70.0
PROFITS BEFORE TAXES	**157,197**	**134,690**	**-14.3**	**19,997**	**9,851**	**-50.7**
10. Corporate income tax	28,833	16,731	-42.0	1,884	1,673	-11.2
PROFITS FROM ONGOING ACTIVITIES	**128,364**	**117,959**	**-8.1**	**18,113**	**8,178**	**-54.9**
11. Profits from discontinued activities	0	0	–	0	0	–
NET PROFIT FOR THE YEAR	**128,364**	**117,959**	**-8.1**	**18,113**	**8,178**	**-54.9**

Source: CNMV.

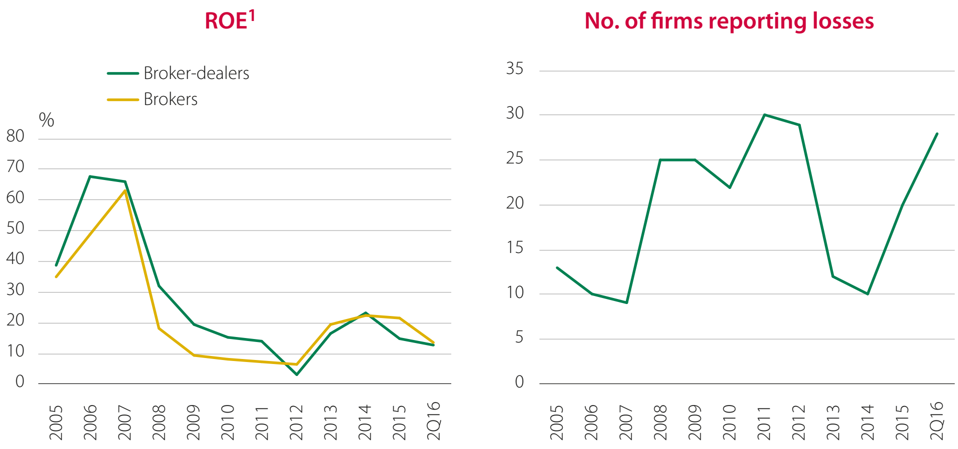
Investment firm ROE hit by falling income.

The return on equity (ROE) earned by investment firms fell from 15.3% to 13.0% between December 2015 and September 2016, reflecting the shrinkage in sector earnings. Brokers suffered the biggest dent in profitability, with ROE dropping from 21.5% to 13.9%. Broker-dealers suffered less, with ROE down from 14.9% to 12.9% (see left-hand panel of Figure 22).

Losses and the number of loss-making firms move higher in the first nine months of 2016.

In line with the general slide across the sector, the number of loss-making firms rose during the first nine months of the year to 28. This compares to 20 at end-2015. Specifically, 15 broker-dealers and 13 brokers were operating at a loss, seven and one more respectively than at end-2015. The cumulative losses of these firms in the first three quarters of the year totalled 16.5 million euros, more than double the losses recorded in the same period 2015.

Pre-tax ROE of investment firms and loss-making entities FIGURE 22



Source: CNMV.

1 ROE based on annualised pre-tax earnings.

Investment firm solvency remains ample in January to September 2016.

Investment firms' solvency conditions remained optimal between January and September this year. The capital adequacy ratio at firms that have to file solvency statements,[16] calculated as regulatory capital over the minimum capital requirement, increased between December 2015 and September 2016 from 4.8 to 5.0 for broker dealers and remained flat at 2.2 for brokers (see Figure 23).

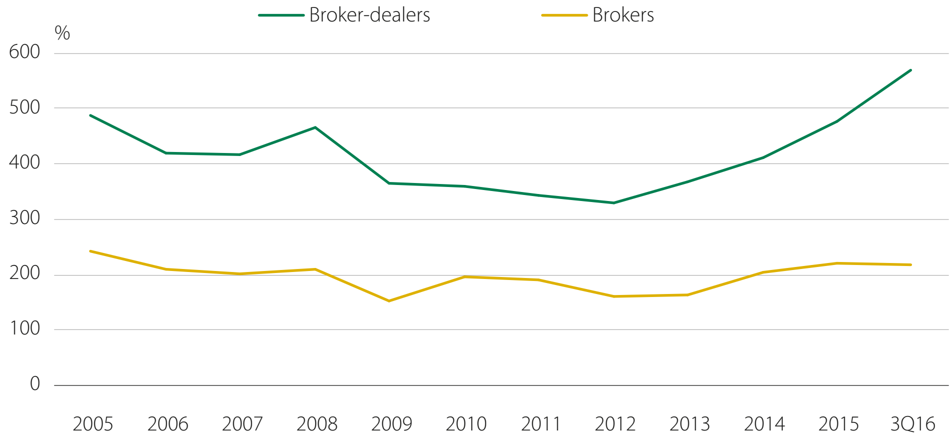
Equity market instability and competition from banks are clouding the outlook for investment firms.

After two or three good years, equity market instability is starting to weigh on investment firm earnings, since their main business lines are tied in with market trading. The prospects for investment firms are further clouded by competition from domestic credit institutions in some of their traditional core businesses like order processing and execution. There is also an ongoing, though dwindling, impact on the sector from the restructuring of Spain's financial system: only two of the six deregistrations recorded in 2015 were the result of takeovers (the remainder resulting from a change in corporate form or dissolution) and only one of the five between January and October this year.

16 As of 1 January 2014, CNMV Circular 2/2014, of 23 June, on the exercise of various regulatory options regarding the solvency of investment firms and their consolidable groups exempts some firms from the obligation to report on their compliance with solvency standards, an exemption that in September extended to 11 of the 82 firms registered with the CNMV.

Investment firm capital adequacy FIGURE 23

(surplus of regulatory capital over minimum requirement)[1]



Source: CNMV.

1 There have been minor changes to the way capital adequacy requirements are calculated since 2014 when Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms came into effect.

Change to the way securities transfer fees are calculated in fee schedules

EXHIBIT 5

CNMV Circular 7/2011, of 12 December, on the fee prospectus and content of standard contracts, seeks among other things to improve the comparability of the maximum fees and expenses charged by investment firms. To this end, the Circular lays down bases for calculation and core concepts for some of the commonest transactions firms perform for retail clients, so they are sufficiently informed to decide whether fees accurately reflect the quality of service on offer.

Among the concepts and bases of calculation specified by the Circular were the fees for transferring securities to another firm. It establishes that: "When the entity providing custody services wants to charge a fee for transferring the securities of a single holder to another entity it must include in the prospectus a fixed maximum fee for each asset class expressed in monetary terms". In other words, the maximum fee chargeable to retail customers transferring their securities to another firm must be stated in the prospectus in euros for each class of security.

The CNMV has analysed the fees specified in prospectuses over recent years. This analysis, coupled with information from investor complaints to the CNMV, showed that, in some cases, the fees reported by the firms were very high, up to 5,000 euros per asset class transferred. This, taken together with the wide range of the amounts charged, means that the maximum transfer fees often fail to meet the criterion of proportionality to the quality of service provided. The same disproportionality was found when we looked at the cost to customers of securities brokerage, custody and transfer services for a model portfolio. In some cases, transfer fees were higher than the value of the securities being transferred. In others, the fee was several times the annual custody fee (in one case equivalent to more than 40 years' custody fees). Finally, there were also cases where it was several times the cost of selling the securities concerned, up to 50 times the fees for selling the portfolio in the most extreme examples.

All in all, the analysis showed that the decision to change depositary may be affected by the heavy costs involved and that high fees can, in some circumstances, restrict competition between firms by setting up hurdles to investors switching service provider, thereby locking them into an unwanted contract. Also, the fees in the prospectus do not seem designed to proportionately compensate for the service provided by the firm but rather to act as a penalty or deterrent. It should be remembered that transfer is the only way for an investor to recover their securities as they are held in book-entry form and cannot be physically delivered.

With a view to ensuring transfer fees complied with the proportionality principle, thus making them more easily understood by investors, the CNMV has changed the base of calculation of this fee. No longer will it be given as a fixed amount per asset class but instead as a percentage of the total value of securities transferred. The change is explained in CNMV Circular 3/2016, of 20 April, amending Circular 7/2011, of 12 December, on the fee prospectus and content of standard contracts. Under the new standard, the charge for transferring securities to another entity must be expressed as "a percentage of the value of securities transferred, with the obligation to set a maximum amount and no minimum amount permitted".

Pricing transfer fees as a percentage offers benefits to retail customers who can, by applying the percentage stated, be sure of the cost of transferring their portfolio to another depositary. It should also make it easier to compare the value offered by different firms for the transfer service and allow investors to compare the cost of transfer with the cost of staying put, since both transfer and maintenance, custody and administration fees will be given as a percentage of the portfolio transferred or under custody. These fees must be shown next to each other on the same page of the firm's fee schedule.

Overall, this change should ensure that scheduled transfer fees remunerate the service provided in a proportionate way and are easily understood and comparable by retail clients.

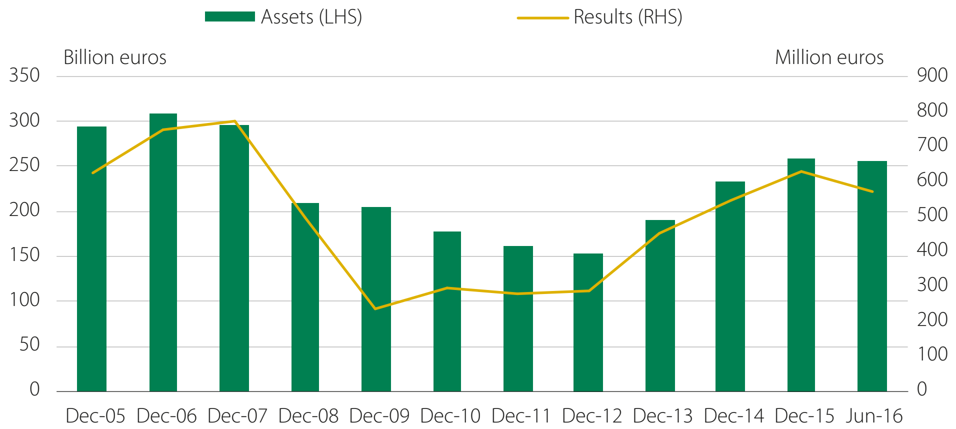
The Circular, which came into force on 1 May 2016, established that compliant fee prospectuses must be filed with the CNMV before 1 September 2016 and that as soon as a firm updates its fee prospectus, and by 1 October 2016 at the latest, firms must calculate transfer fees as a percentage of the amount transferred up to the maximum stated fee and, where appropriate, amend customer contracts accordingly.

4.3 CIS management companies

CIS managers report falls in both assets under management and profits in the first six months of 2016, by 1% and 9% respectively.

In the first half-year, CIS management companies did slower business than in the prior year. Assets under management fell by 1.3% to 255 billion euros, after the healthy expansion of the last three years in which they grew by nearly 70% (see Table 17). Similarly, aggregate pre-tax profits of 596.6 million euros (in annualised terms) were down by 9.1% versus end-2015 (see Figure 24). Almost all of the decline in assets under management in January-June 2016 was due to investment funds and companies. That said, it is important to remember that this is a heavily concentrated sector: the three biggest managers commanded a combined 42% of total managed assets at mid-2016, little changed from the level recorded at end-2015.

CIS management companies: Assets under management and pre-tax profits FIGURE 24



Source: CNMV. Results to June 2016 are shown as full-year equivalents for comparative purposes.

Average management fees decrease by 0.05% reflecting a refocus on less risky assets. The number of loss-making investment managers grows to 21.

Income from CIS management fees, the biggest contributors to management companies' earnings, fell 6.4% to 2.29 billion in the year to June (see Table 17). The reduction was driven by the abovementioned fall in managed assets and a reduction in average management fees to 0.90% of assets from 0.95% at end-2015. Behind this decline lay, principally, the rejigging of investment fund assets toward lower-risk and hence lower-fee asset classes. Likewise, aggregate ROE for all CIS management companies declined sharply, in a break with the upward trend of recent years, from 54.8% at end-2015 to 48.6% in June 2016. The number of loss-making entities jumped from 11 to 21 with combined value-added of 6.2 million euros (in annualised terms), 72.3% up on 2015.

The number of CIS managers rises to 101 in the year to October, five more than at end-2015, suggesting the sector is near the end of its recent restructuring.

Sector reorganisation, begun in the wake of the restructuring of the Spanish financial system, now seems to be nearing its end. In the first ten months of 2016 only one firm closed, merged into another manager as a consequence of the above process. In the same period six new management firms entered the register, taking the total at 31 October to 101, compared to 96 in 2015.

CIS management companies: Assets under management, management fees and fee ratio

TABLE 17

Million euros

	Assets under management	CIS management fee income[1]	Average CIS management fee[1] (%)	Fee ratio[2] (%)
2009	203,730	1,717	0.84	68.1
2010	177,055	1,639	0.93	67.2
2011	161,481	1,503	0.93	65.6
2012	152,959	1,416	0.93	64.6
2013	189,433	1,588	0.84	62.0
2014	232,232	2,004	0.85	61.8
2015	258,201	2,440	0.95	63.7
Jun-2016	254,809	2,286	0.90	63.1

Source: CNMV.

1 Data for fee income and average management fee restated on an annual basis.

2 Ratio of fee expenses for fund marketing to fee income from CIS management.

Second Financial Education Day

EXHIBIT 6

As part of the Financial Education Plan, launched by the Bank of Spain and the CNMV in 2008, the 2nd Financial Education Day took place on 3 October. Held every year on the first Monday in October, it aims to raise citizens' awareness of the financial literacy they need to meet the challenges posed by the different stages of life.

Events during Financial Education Day revolved around a core event at the CNMV head office, involving the CNMV President, the Governor of the Bank of Spain, the General Director of Insurance and Pension Funds and the Secretary of State for the Economy.

Their contributions highlighted the achievements of the Plan since 2008, including the launch of website www.finanzasparatodos.es, drafting of a Financial Education Programme for secondary schools and the creation of a network of collaborators. There were reports on work in progress, such as the national survey to gauge the financial literacy of the Spanish population and their behaviour in matters of personal finance. Results are due out in 2017.

Prizes were handed out to the winning secondary schools in the fourth Financial Education Programme Awards. This year, contestants had to present a poster and video illustrating the importance of financial education at different stages of life. The winning centres were Amor de Dios (Cadiz) and Ramón y Cajal (Madrid).

Also presented was the first ever Finance for All Award, created to promote quality and impartiality in financial education initiatives. The winning project "Inclusive finance" run by the Fundación ONCE, is an initiative to promote financial education for people with intellectual differences and learning difficulties.

In parallel with the central event, in order to spread the message to the greatest possible number of groups and individuals, Plan collaborators (associations, institutions, NGOs, foundations, etc.) held some 130 events on and around the day throughout Spain (conferences, workshops, round tables, online courses, websites, publications, radio programmes, etc.). The website www.diadelaeducacionfinanciera.es acted as a central information point for the events organised.

A help line was also set up to answer callers' questions about personal finance and issues related to securities, banking and insurance.

The third Financial Education Day will be held on 2 October 2017.

4.4 Other intermediaries: venture capital

Law 22/2014 allows the creation of new closed-ended investment vehicles to promote venture capital as an alternative financing route.

At the end of 2014, Law 22/2014, of 12 November, regulating venture capital entities, other closed-ended collective investment undertakings and closed-ended CIS management companies came into force, amending Law 35/2003, of 4 November, on Collective Investment Schemes, and allowing the creation of new types of vehicle to promote venture capital as an alternative financing route. The new vehicles are SME venture capital entities (companies or funds), European venture capital funds, European social enterprise funds and closed-ended collective investment schemes (companies and funds). It also regulates closed-ended collective investment scheme management companies, a name now in use for both old-style venture capital entity management companies and the managers of new closed-ended schemes.

2015-2016 sees the creation of 25 SME venture capital entities (11 funds and 14 companies), two European venture capital funds and six closed-ended collective investment vehicles (one fund and five companies).

The first 15 of these new vehicles appeared in 2015, comprising eight SME venture capital funds, six SME venture capital companies and one closed-ended collective investment company. Between January and October this year three, eight and four vehicles were added to these categories respectively. The year also saw the creation of the first two European venture capital companies and the first closed-ended collective investment fund (see Table 18). As for traditional vehicles, in the first ten months of 2016 there were 18 new entries and four closures of venture capital funds, leaving 162 in operation at end-October. Among venture capital companies 10 opened and 12 closed, leaving 101 in operation. The total number of venture capital entities at 31 October (not including closed-ended vehicles) was 290, compared to 265 at end-2015. At the same date there were six closed-ended vehicles, five companies and a fund, as well as 82 closed-ended investment scheme management companies (which includes the old venture capital management companies), after nine entries and four deregistrations between January and October.

Movements in the VCE register in 2016 TABLE 18

	Situation at 31/12/15	Entries	Retirals	Situation at 31/10/16
Entities				
Venture capital funds	148	18	4	162
SME venture capital funds	8	3	0	11
European venture capital funds	0	2	0	2
Venture capital companies	103	10	12	101
SME venture capital companies	6	8	0	14
Total venture capital entities	**265**	**41**	**16**	**290**
Closed-ended collective investment funds	0	1	0	1
Closed-ended collective investment companies	1	4	0	5
Total closed-ended collective investment schemes	**1**	**5**	**0**	**6**
Closed-ended investment scheme management companies	**77**	**9**	**4**	**82**

Source: CNMV.

Spanish VCE association figures show VCE investment fell by 25% in the first half of 2016, due to a dearth of big deals. However, the number of operations was high (+16%). Midmarket and venture capital deals were particularly strong.

Preliminary data from the Spanish Venture Capital Entity Association ASCRI for the first half of 2016 suggests that the volume invested by venture capital entities in Spain contracted by 24.9% versus the year-ago period, to 765.8 million euros, despite a 15.6% increase in the number of deals to 303. The dip in investment, as in 2015, was due to a fall in the number of large-scale deals (over 100 million euros). On the other hand, there was a notable surge in midmarket transactions, which had also grown strongly the previous year and in 2016, with 17 deals, made up 57.7% of the total investment volume in venture capital entities. By investment phase, the bulk of the 256 deals were in venture capital (seed and start-up phases) although private equity accounted for 65% of investment by volume. It should also be noted that investment by international funds slowed while that by Spanish investors grew, particularly in the midmarket and venture capital segments.

II Reports and analysis

Resolution of central counterparties: Approach in the global regulatory agenda and response in the European Union (*)

Víctor Rodríguez Quejido and José Manuel Portero Bujalance (**)

(*) This article updates the article published by the same authors in number 29 of the Bank of Spain's *Financial Stability Journal* in November 2015 under the title "Resolución de entidades de contrapartida central: Una aproximación en un entorno postcrisis" [Resolution of central counterparties: An approach in a post-crisis environment].

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1 Introduction

Resolution of financial institutions in a post-crisis environment

One of the recurring debates following the outbreak of the financial crisis in September 2008 has been regarding the measures that need to be adopted in order to reduce the likelihood that financial institutions, and consequently, important institutions that participate in financial markets, enter into a crisis that might lead to their liquidation and which, depending on their systemic importance, might require the allocation of public resources, principally obtained from the taxpayer, for their bailout or, as a last resort, for their orderly liquidation.

The widespread use of bank bailouts at the height of the crisis demonstrated that an ongoing policy of bailouts was not a cost-free option for the corresponding governments and, therefore, for the taxpayer. Without alternatives to this policy, the ultimate cost would fall on the taxpayer, which would inevitably affect the policy of containing public expenditure.

While a bailout of a financial institution using taxpayers' money should be avoided, it is also important to prevent, as far as possible, their winding-up through an insolvency or bankruptcy procedure generating turmoil in the financial system.

In order to prevent, or at least mitigate, the above-mentioned turmoil, international authorities and regulators have proposed a combination of measures that range from increasing capital requirements to implementing resolution frameworks for financial institutions.

The above two premises – the non-use of taxpayers' money and the mitigation of turmoil in the financial system – have been the driving force behind the resolution frameworks. This is the reason why public authorities must implement mechanisms that avoid affecting public finances while, at the same time, addressing potential destabilising situations for the financial system. The ultimate, and in some ways the ideal, aim will be to achieve a safer, stronger and more stable financial system.

However, it should be pointed out that resolution mechanisms for financial institutions are not a magical solution for avoiding losses. Quite the contrary, losses will exist, but they should be borne mainly by bondholders and creditors through bail-ins.

An additional aspect is how to determine the moment at which the resolution of a financial institution should be activated, which should clearly not be too early or too late. The most reasonable and expected moment would be to activate the resolution process when the recovery strategies have concluded and the institution may enter into insolvency, after it has been demonstrated that the institution is no longer viable.

In order to minimise the level of subjectivity in determining the timing of an institution's entry into resolution, this should be linked to the conditions and requirements that gave rise to the authorisation and operation of said institution. When the institution no longer complies with these requirements, and there is no reasonable prospect that it will once again comply with them, it should enter into the analysis stage for its eventual resolution.

Finally, it is important to highlight that in order to be effective, a resolution mechanism should operate on an inter-territorial basis. Without this feature, local authorities would be motivated, or even tempted, to mitigate the economic impact that the resolution of an institution would have on the national accounts and on its taxpayers, which are ultimately their potential voters.

From the resolution of credit institutions to the resolution of central counterparties

The initial design of the resolution frameworks was mainly aimed at credit institutions due to the role that they have played in the financial crisis, particularly those deemed too big to fail.

In the post-crisis environment – and as a result of some of the solutions implemented during the crisis – the resolution frameworks have expanded their scope of application.

Their implementation has been extended not only to a large part of the range of financial institutions – for example, investment firms – but the specific design of resolution mechanisms and frameworks has recently been under consideration for market infrastructures. Noteworthy among these market infrastructures are central counterparties (CCPs). The nature of their activity and their growing role in financial transactions give them the clear potential to be systemic entities, which is why they have been the first infrastructures on which international regulators are focusing their attention.

Objective and organisation of the article

This article analyses the approach adopted in the international regulatory agenda with regard to the resolution frameworks for CCPs. As indicated, following the crisis, these entities have undoubtedly become systemically important, particularly since the centralised clearing of over-the-counter (OTC) derivatives trading has become generalised, mainly as a result of legal requirements.

It is inevitable that the regulation of the resolution processes for these entities will be based on that already designed for banks, but CCPs have characteristics that require a specific legislative framework to be created. The first regulatory advances in the matter cater to these unique characteristics, as is the case of the recent European

Commission Proposal of the Regulation of the European Parliament and of the Council on a framework for the recovery and resolution of central counterparties.[1]

Given that regulatory measures with regard to the resolution of CCPs are by nature global, this article covers the initiatives that the Financial Stability Board (FSB) is coordinating with regard to resolution, resilience and recovery of CCPs.

The article also runs through the ideal characteristics of a resolution framework, as well as the outline of a European regulatory framework on the resolution of CCPs in accordance with the aforementioned European Commission proposal for a regulation. The article also mentions the current situation in Spain, where, although there is no specific regulation on the resolution of CCPs, there are mechanisms which would allow, as the case may be, a possible orderly resolution of these entities.

The rest of the article is organised as follows: Section 2 describes the role of CCPs and the consequences in terms of risk in the context of the services offered by post-trading infrastructures. Section 3 analyses what specific features should be taken into account by the regulators when designing the resolution frameworks for these entities. Section 4 describes the global response from regulators in this field, while Section 5 analyses in more detail the FSB's Workplan. Sections 6 and 7 focus on the European Commission proposal for a regulation in Europe and the framework applicable in Spain, respectively. The article ends with a section of conclusions.

2 The role of CCPs in the financial system

The clearing of securities and derivatives transactions plays a key role in the functioning of the financial system. CCPs, in their role of facilitating clearing and obtaining net balances of risk exposures, as well as the mutualisation of risk, are key agents.

The importance of CCPs in the institutional framework of the financial system has been boosted as a result of the progression of the financial crisis. In this regard, it is important to indicate that the G20 Leaders Statement in 2009[2] requested, among other measures, that standardised OTC derivative contracts should be cleared centrally.

The reasons behind the above statement can be found in the advantages offered by centralised clearing through a CCP compared with bilateral clearing between entities.

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1 European Commission Proposal for a Regulation of the European Parliament and of the Council on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No. 1095/2010, (EU) No. 648/2012, and (EU) 2015/2365 (http://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/COM-2016-856-F1-EN-MAIN.PDF).

2 http://www.fsb.org/wp-content/uploads/g20_leaders_declaration_pittsburgh_2009.pdf

On the one hand, there is greater "risk absorbed" by the defaulting entity by means of, but not exclusively, a higher initial margin required. There is also, at least from a theoretical point of view, a more thorough and transparent process in managing risk through, for example, an appropriate policy for requiring margins and collateral.

Additional advantages can also be found in the generalisation, on the one hand, of multilateral clearing and, on the other hand, the mutualisation of risk. This is related to the fact that, in a CCP, the risk generated by a participant is also, to a certain extent, assumed by non-defaulting entities through, for example, participation in a default fund managed by the CCP.

The growing role therefore played by CCPs leads to inevitable questioning of whether these entities can be considered "safe" and also to an analysis of the consequences for the financial system as a whole if such entities fail or cease operating.

In effect, whatever advantages there may be in recommending, or rather demanding, centralised clearing of OTC derivatives through CCPs would immediately be cancelled if such entities do not perform appropriate risk management.

A greater use of the services provided by CCPs automatically implies a greater risk of exposure of its members, mostly credit institutions, with regard to the CCP.

Last, but not least, centralised clearing is also a concentration of risk in one single entity, in this case the CCP itself, and therefore regulators need to consider any possible crisis or failure of said entities.

3 Resolution of CCPs

Towards a resolution framework

As indicated above, resolution mechanisms and frameworks were initially principally aimed at credit institutions. The subsequent extension to resolution frameworks for financial market infrastructures makes it inevitable that any regulation or, as the case may be, guides, standards or recommendations applicable to credit institutions will be taken as references.

However, CCPs are not banks, nor do they act as such, and, in particular, the role of available capital is very different between banks and CCPs. Table 1 reflects the main differences between CCPs and credit institutions relating to the business model and the management and coverage of the risk faced by both types of entity.

Main differences between CCPs and credit institutions TABLE 1

Aspect	CCPs	Credit institutions
Business model	Reducing counterparty risk of market participants	Different activities (commercial banking, investment banking, proprietary trading, etc.) subject to different types of risk
Risk management	Mutualisation of risk between participants without own trading	Diversity of risk models (standard or internal). Mostly individualised management
Coverage of credit and market risk	Full assumption of the probability of default of a member and coverage close to 100%	Partial coverage of risk that is limited depending on the activities performed
Collateral	Legal requirement of high-quality and highly-liquid collateral/ margins	Margins adapted to the customer profile
Lines of defence	Initial margins, daily adjustments and default fund	Different prudential measures
Default management	Immediate through application of lines of defence	Drawn-out and unique procedure

Source: CNMV.

One of the key reasons behind the existence of a CCP is the provision of protection against default (or bankruptcy) of one of its members. This protection is not based on the potential losses arising being absorbed against the CCP's own capital, but is based on the CCP providing the resources for effective risk management.

In addition, the CCP will aim to mutualise the losses caused by the default of a member in a safe and effective manner. From this point of view, CCPs may be considered risk "distributors" rather than risk "concentrators".

Two aspects that must be taken into account in appropriate risk management by a CCP are, firstly, the role played by capital and, secondly, the optimal allocation of losses.

In principle, it should be accepted that the capital of the CCP plays an essential role in absorbing the losses of a defaulting member or participant. As indicated above, CCPs are not banks and the use of their capital is consequently not the same; however, it still plays an important role. It is therefore necessary to consider the application of incentives to facilitate appropriate risk management by a CCP by means of, for example, applying losses against the capital of the CCP itself (referred to as "skin in the game").

With regard to the optimal allocation of losses, it will be necessary to simultaneously focus on two facts.

Firstly, it is necessary to consider the quantity – and also the quality – of the financial resources that the CCP should have in order to appropriately manage a member's default. At the same time, and by means of conducting a stress test, the extent to which the CCP could handle an extreme event caused by the default of one or several members needs to be assessed.

Secondly, the origin of the financial resources necessary to address that extreme event would need to be determined. A non-exhaustive list of these fund providers might include the defaulting members themselves (through deposited margins and collateral), the other clearing members (through mutualisation of losses), the owners of the CCP (through the use of capital or "skin in the game") and, finally, other providers (for example, insurance contracts).

Towards a resolution plan

As a direct consequence of regulatory initiatives – some of the most significant of which will be described below – the volume of trading cleared through CCPs has increased significantly and the trend is for this to continue in the future.[3] In addition, the use of CCPs is no longer optional and is now mandatory in the most important countries, in particular with regard to trading of standardised OTC derivatives.

The resolution of a CCP cannot be separated from the fact that many of these entities have changed from being simple utilities that provide a service to their members to being entities (through a process of de-mutualisation) that aim to benefit their shareholders by increasing their revenue and market share.

Faced with a potential extremely serious situation in the functioning of the CCP, two questions must be analysed.

Firstly, it is necessary to estimate whether the level of available financial resources in the CCP is sufficient to minimise the threat (and its consequences) of failure. This question can be answered by the comments in the above section relating both to the possible use of the CCP's capital and the use of alternative financial resources.

Secondly, it is necessary to consider what should be done – and what tools should be used – in the event of the certain threat of failure of a CCP and, consequently, how to ensure that any failure is managed so as to reduce the possibility of contagion to other market participants or, in the event that the CCP does fail, to limit its effects and ensure the orderly continuity of its critical functions within the structure of the financial markets.

In this critical stage, having resolution plans adapted to the specific nature of each CCP would help to mitigate (but not to eliminate) the risks associated with an

3 http://www.bis.org/cpmi/publ/d152.pdf. The best estimate of the cleared volume of OTC derivatives (and other financial instruments) can be found in the statistics on payment, clearing and settlement systems published by the CPMI on the member countries of this BIS committee: *Statistics on payment, clearing and settlement systems in the CPMI countries.* September 2016. Although aggregate data is not presented, a review of the historical series corresponding to the main CCPs operating, for example, in the United Kingdom and the United States, shows the upward trend of the last five years in the volume cleared by CCPs.

extreme situation in these entities, contributing, where necessary, to an orderly resolution, and, as the case may be, winding-up, of the CCP.

The considerations that, at least from a theoretical point of view, should help to shape the content of a CCP resolution plan are indicated below:

– A standardised, public and mandatory stress test should be used to measure the resources necessary for full absorption of losses.

– A potential full absorption of losses should be fully backed up by the CCP's available financial resources.

– In the event of a serious default, the CCP should be recapitalised before it is immediately wound-up, in order to facilitate the continuity of its critical functions.

– The CCP should therefore have, by means of a default fund, adequate resources for recapitalisation in order to allow business continuity.

– Ideally, the CCP should also contribute to the default fund with a maximum share of 10% of the fund's total or, alternatively, with a contribution similar to the highest contribution from an individual clearing member.

– Once the above minimum has been covered, the CCP should have sufficient flexibility to distribute and allocate the available financial resources.

The role that regulators must play in designing the resolution plans and, in particular, the activation of the resolution process is crucial. The following sections of this article describe the responses of regulators to the challenge created by CCPs with enhanced functions within the financial system, but also with regard to their systemic potential. Particularly noteworthy is the role being played by the Financial Stability Board as the coordinator of the most important global regulatory initiatives.

Notwithstanding the above, it is important to point out that, at any event, it is the supervisory authority of the CCP that must determine the time when said CCP is no longer viable and enters into resolution. As from that moment, the resolution authority must manage the necessary actions aimed at, among other measures, recapitalising the CCP once all the losses have been allocated and once continuity of the critical functions performed by the entity can be guaranteed.

4 The response of global regulators to CCPs with enhanced functions

As a result of the requirement of the G20 leaders to introduce clearing obligations, those institutions which may be considered global regulators have been offering over recent years guides, recommendations and standards that contribute towards the appropriate governance of CCPs and which strengthen, where appropriate, their defence (and resilience) with regard to possible extreme crisis situations.

Four initiatives adopted by global regulators are highlighted below. For the purpose of this article, and with respect to their relationship with CCPs, the global regulators would be the Financial Stability Board, the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the International Organisation of Securities Commissions (IOSCO). The initiatives are as follows:

Firstly, it is important to highlight the standards relating to appropriate and thorough risk management in the Principles for Financial Market Infrastructures drawn up by CPMI-IOSCO in 2012.[4] These principles, much stricter than those they replaced, are currently being assessed with regard to their consistent application in different jurisdictions.

Secondly, we should mention the 2014 guidelines on recovery[5] that replace the CPMI-IOSCO Principles. These guidelines take into consideration the types of tools that CCPs (and other market infrastructures) may use in order to address extreme financial problems which may threaten the existence of the CCP. They also establish links between recovery and resolution.

In parallel with the above exercise, it is also important to highlight that the FSB has adopted a general framework for the key attributes of effective resolution regimes for financial institutions.[6] It should be pointed out, however, that the FSB document not only covers CCPs but also securities depositories, security settlement systems and trade repositories.

Thirdly, it is important to highlight the specific treatment that credit institutions should have with regard to their exposure to CCPs. In this regard, the BCBS has recently revised the Basel II capital framework – which applied a zero capital charge to these exposures – in order to take into account the growing role (and parallel increase in risk) played by CCPs. One of the main points of this revised framework is the preferential treatment – in terms of additional capital requirements – given to exposures to CCPs deemed as qualifying, i.e., those that are supervised in accordance with the CPMI-IOSCO Principles. The recent European Commission proposal of 23 November 2016 to amend rules on capital requirements adapts the framework set out by the BCBS in relation to the treatment of counterparty risk and, more specifically, the exposure of credit institutions with regard to CCPs, to European law.[7]

4 https://www.bis.org/cpmi/publ/d101a.pdf.

5 https://www.bis.org/cpmi/publ/d121.pdf.

6 http://www.financialstabilityboard.org/wp-content/uploads/r_141015.pdf.

7 https://www.bis.org/publ/bcbs282.pdf; http://ec.europa.eu/finance/bank/regcapital/crr-crd-review/index_en.htm#161123.

Finally, the fourth point to highlight is the increase in the transparency developed in two regimes of information disclosure prepared jointly by CPMI and IOSCO[8] and which require CCPs to provide disclosures on such matters as the size of their credit risk, assessment of liquidity risk, margins and collateral required and applied and business, custody and investment risks. It should be pointed out that the required transparency is particularly relevant for indirect participants in the CCP as these do not contribute towards the CCP's governance and management.

5 The FSB Workplan on CCPs

In 2009, the G20 leaders agreed that all OTC traded standardised derivative contracts should be cleared centrally through CCPs. The above statement, despite recognising the benefits involved in using the services of CCPs, implies that these should be submitted to an enhanced regulatory and supervisory framework that favours their resilience and promotes the adoption of recovery and resolution plans.

The role that these enhanced CCPs will play in the financial system also implies that CCPs must be resilient both with regard to risk management standards (including conducting periodic stress tests) and with regard to their financial resources (margins required, default funds and available liquidity). This will allow CCPs, on the one hand, to understand and mitigate their risks and, on the other hand, to face any defaults of their members and extreme situations.

CCPs must have in place recovery plans that allow them to allocate any losses in an orderly manner and, at the same time, to generate additional liquidity so as to safeguard their own viability, without compromising the stability of their members or that of other financial institutions.

Finally, CCPs must have in place resolution plans that should ideally be activated once their recovery strategies have been exhausted.

In April 2015, the BCBS, CPMI, IOSCO and the FSB[9] agreed to draw up a Workplan that would allow them to coordinate their respective tasks and responsibilities in the development of standards and recommendations on systemic CCPs in the following areas:

– Resilience and recovery – including assessing loss absorption capacity, liquidity and stress tests – a task assigned to CPMI-IOSCO.

– Resolvability, a task assigned to a working group (Cross-border Crisis Management Group for Financial Market Infrastructures, *fmi*CBCM) belonging to the Resolution Steering Group (ReSG) of the FSB.

8 https://www.bis.org/cpmi/publ/d125.pdf.

9 https://www.bis.org/cpmi/publ/d134b.pdf.

- Interdependencies between CCPs and their clearing members, a task assigned to a study group in which, in addition to the FSB, the BCBS, CPMI and IOSCO participate.

The August 2016 Progress Report[10] sets out the progress made, which can be described as follows:

- On 16 August, CPMI-IOSCO published a report on the assessment of selected CCPs' implementation of the principles for financial market infrastructures with respect to their financial risk management and recovery practices. With regard to these practices, the report reiterates that a CCP's recovery plan should include tools that address, among other things, the allocation of losses not caused by participant default, the management of liquidity shortfalls following participant default and the speed of replenishment of depleted financial resources. The final CPMI-IOSCO report on resilience and recovery is expected to be ready in the first half of 2017.

- According to the FSB Workplan, the board should consider the need for standards or guidelines for CCPs on resolution plans, strategies and tools and, as the case may be, to develop them, as well as propose mechanisms to strengthen inter-territorial coordination. On 16 August, the *fmi*CBCM published a discussion note for public consultation which contains guidelines for the development of CCP resolution strategies and plans. The most significant aspects of these guidelines are as follows:

    - The timing of a CCP's entry into resolution.

    - The adequacy of a CCP's financial resources at the time of resolution.

    - The choice of appropriate tools so that a CCP may return to a matched book and the powers that the resolution authority should have.

    - The order of allocation of losses in the resolution process.

    - Arrangements of cross-border co-operation of resolution authorities and the establishment of crisis management colleges or groups.

  The FSB guidelines, revised following the public consultation, will be submitted again for public consultation with the intention of presenting the definitive document at the G20 summit at the start of July.

- In August, the working group coordinated by the FSB launched a data collection exercise from 20 CCPs that aims to identify and quantify the interdependencies between CCPs and their direct members, indirect members, investment counterparties, liquidity providers and other financial institutions. The group aims to publish the analysis of these interdependencies in the first quarter of 2017.

10 http://www.fsb.org/2016/08/progress-report-on-the-ccp-workplan-2/.

6 European response to CCP resolution

CCP regulation in the European Union: the EMIR Regulation

CCPs are regulated in the European Union by **Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories** (European Market Infrastructure Regulation, EMIR).[11]

The European Regulation sets out, among other aspects, the procedures for authorisation and supervision of CCPs, establishing, for example, a permanent and initial capital of 7.5 million euros and indicating that its capital, including retained earnings and reserves, shall at all times be sufficient to ensure an orderly winding-down or restructuring of the activities over an appropriate time span and an adequate protection of the CCP against credit, counterparty, market, operational, legal and business risks.

The EMIR Regulation also set out the requirements to be met by the collateral used in transactions cleared on CCPs, the creation of a fund to cover any defaults, the management of liquidity risk and the policy governing investments performed by the CCP.

However, the EMIR does not enter into questions relating to the application of a CCP resolution regime and its articles make no reference to the preparation of recovery and resolution plans.

Finally, it should be indicated that the revision of the EMIR to be carried out by the European Commission in the first quarter of 2017 is likely to strengthen the regime for the capital of CCPs, with an increase in the figure of the initial capital, the amounts allocated for possible insolvency processes (skin in the game) and the regime for collateral.

European Commission legislative proposal on CCP resolution

As from 2010, the European Commission has been assessing whether to extend the bank recovery and resolution regime to other non-bank financial institutions, for example financial market infrastructures. The Commission's work programme for 2015 already identified CCPs as a sector requiring a harmonised recovery and resolution framework.

In its work programme, the Commission recognised that national insolvency procedures may not be effective for managing the default of a market infrastructure, in particular large infrastructures. When the default takes place and the critical functions of the infrastructure are not maintained, there is a risk that the situation may extend to other areas of the financial sector and the economy as a whole, which would force governments to use public funds to guarantee financial stability.

11 http://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=CELEX:32012R0648&from=EN.

In the Commission's opinion – and for the specific case of CCPs – it was necessary to develop a regulation requiring the implementation of measures to avoid bailouts by the taxpayer and to prevent the CCP's customers being affected to a large extent. In addition, it indicated that authorities should have sufficient powers to resolve extreme situations in which a CCP is no longer considered viable.

Although the Commission's legislative proposal was expected to be ready at the end of 2015, it was delayed in order to allow it to be consistent, as far as possible, with the guidelines and recommendations resulting from the FSB Workplan referred to in the previous section. The legislative initiative was eventually presented on 28 November 2016, in the form of a Proposal for a Regulation of the European Parliament and of the Council, whose main features and lines of action are as follows:

– In general, it follows the standards, principles and recommendations of international organisations, in particular, those coordinated by the FSB.

– Although the provisions of the proposed regulation generally follow the aspects established in the 2014 Bank Recovery and Resolution Directive, they take into account the specific features of the business model of CCPs.

– The Member States must designate an authority responsible for any resolution of a CCP.

– CCPs must prepare recovery plans that include scenarios of default by clearing members of the CCP, as well as the materialisation of other risks and losses to which the CCP is exposed, such as fraud or cyber-attacks. The recovery plans must be reviewed by the CCP supervisor.

– The CCP resolution authorities must prepare resolution plans that set out the manner in which CCPs would be restructured and how their essential functions would be maintained.

– CCP supervisory authorities would have the power of early intervention, helping rectify financial difficulties as soon as they arise. CCP supervisors are granted powers to intervene in the CCP's operations when its viability is threatened, but before it becomes no longer viable or its behaviour has adverse effects on general financial stability. Supervisors may also require CCPs to undertake specific actions in the framework of their restructuring plan or to modify their business strategy or legal or operating structure.

– In line with the approach of the FSB, the CCP resolution process will be initiated when a CCP is no longer viable, or is likely to become so, when there are no private-sector alternatives for it to become viable and when its failure may endanger the public interest and financial stability.

– The main resolution tools set out in the proposal include the following:

    • Sale of all or part of the business to another entity.

- The creation of a bridge CCP to which the essential functions, once identified and separated from the residual CCP, would be transferred. This bridge CCP may ultimately be sold to another entity. The residual part of the CCP with non-essential functions would be wound up under a normal insolvency procedure.

- Allocation of positions, i.e., a partial or full tear-up of contracts.

- Allocation of losses and cash calls to cover the CCP's losses, to re-establish its capacity to comply with its payment obligations, to recapitalise the CCP and to replace its financial resources.

- Write-down and conversion of capital and debt instruments or other unsecured liabilities with the aim of absorbing losses and recapitalising the CCP.

– It establishes an enhanced cooperation regime between the resolution authorities of Member States, given the cross-border nature of the business of numerous CCPs. In line with the above, resolution colleges should be established for each CCP, involving the pertinent authorities from the territory of the European Union.

– In addition to the above, ESMA should create a resolution committee comprising the resolution authorities of the Member States, with the participation of the supervision and resolution authorities of credit institutions that are clearing members of the CCPs as observers.

Observations on the European Commission proposal for a regulation on the recovery and resolution of CCPs

Below are a series of observations based on the provisions contained in the European Commission proposal for a regulation:

– It is reasonable to assume that the provisions adopted in the future regulation will be, as far as possible and with the necessary exceptions, similar to those set out in the Bank Recovery and Resolution Directive.

– It also seems reasonable to assume that any resolution of a CCP in an EU territory may be addressed through a college of resolution authorities, which may be established in accordance with the lines set out for colleges of supervisors established by the EMIR Regulation.

– The fact that the legal status of CCPs in the European Union is not harmonised – some CCPs have a bank licence and, therefore, access to "central-bank money", while others do not have that licence – may lead to competitive disadvantages that should be addressed in the regulation or its implementing measures.

– The possibility of a recapitalisation of a CCP with State funds should be considered an extreme measure and subject to the systemic importance of the CCP in question.

7 Regime applicable in Spain

The non-existence of specific legislation in Spain on CCP recovery and resolution is not an obstacle so that, in the event that they enter into a stage of default or are no longer viable, legal mechanisms may be available for action and intervention by the authorities.

The general Spanish regime on insolvency, materialised in the Insolvency Act of 2003, recognises certain specific features in the application of the general insolvency regime to financial institutions and market infrastructures, including CCPs.

Some of the particular features recognised in the legislation are as follows:

– Designation by the CNMV, in its capacity as supervisor of CCPs in Spain, of receivers in the legal procedure.

– The application of specific securities market legislation – separation of guarantees in the event of insolvency, purpose of the transactions and application of the regime on margins and collateral – which prevails over the general insolvency regime.

In short, although there is no specific legal regime for the resolution of CCPs, there are legal mechanisms and intervention tools which would allow authorities to address the risks resulting from the default of an entity of this type and to mitigate the risk that this may cause to financial stability.

8 Conclusions

The ultimate aim of a CCP resolution mechanism (equally applicable to credit institutions) is to mitigate the consequences that the default of an entity may have on the stability of the financial system, as well as to avoid taxpayers' money needing to be ultimately used in order to cover the damage caused.

Activation of the resolution mechanism for an entity, once the competent supervisory authority has deemed that it is no longer viable, must be adopted by the designated resolution authority, which should immediately apply the mechanisms and tools set out in the resolution plan.

To the extent that it is the point of no return or of non-viability that determines the intervention of the resolution authority and the consequent activation of the resolution plans, this should be clearly defined in the legislative framework for resolution.

In the event of a default of a CCP, the resolution authority should ensure the continuity of its critical functions in such a way that, among other aspects, allows evaluation of the level of use of the recovery mechanisms – for example, the resources dedicated to loss absorption – and facilitates the adoption and application of the measures set out in the resolution plan.

With regard to the above, it will also be necessary to assess whether to establish within the legislative framework the implementation of arrangements to facilitate emergency lines of liquidity for CCPs.

Finally, bearing in mind the regulatory initiatives relating to CCP resolution that are being implemented in different jurisdictions, it is necessary to bear in mind the global nature of derivatives markets and the consequent global nature of the business of the most important CCPs. It is therefore highly recommendable for discussions on resolution to be held in international forums which group together regulators and authorities and for the final result to include a high level of convergence in the resolution practices, mechanisms and plans that may be adopted.

With regard to the above, the recent legislative proposal of the European Commission on CCP recovery and resolution, which, in addition to following the line of EU regulation on bank recovery and resolution, is consistent with global initiatives, particularly those carried out by the FSB in this matter, should be welcomed.

Finally, it is important to highlight that the fact that there are already tools in place in Spain that make it possible to address any failure of a CCP does not invalidate the need to have a specific European regulation on CCP resolution covering this issue as a whole, and not tangentially, and which, in addition, takes into account the cross-border nature of the business of CCPs.

III Legislative annex

New legislation since publication of the CNMV bulletin for the first quarter of 2016 is as follows:

Spanish legislation

– CNMV Circular 4/2016, of 29 June, on the functions of depositories of collective investment schemes and entities regulated by Law 22/2014, of 12 November, regulating venture capital entities, other closed-ended collective investment schemes and their management companies, and amending Law 35/2003, of 4 November, on Collective Investment Schemes (CIS).

  This Circular aims to complete the regulation of CIS depositories by integrating certain technical aspects.

  To this end, Section 1 of the Circular establishes the scope, which covers both CIS depositories and the depositories of entities regulated by Law 22/2014, of 12 November.

  Section 2 regulates the custody and administration and cash control functions, as well as specific aspects and exceptions in the performance of these functions, applicable to the depository of entities regulated under Law 22/2014, of 12 November, and of hedge funds.

  Section 3 specifies technical aspects relating to the general regime applicable to the supervision and oversight function of the depository, once again taking into account the features specific to the performance of this function in entities regulated under Law 22/2014, of 12 November. In addition, with the aim of simplifying and unifying the legislation on depositories, this Section includes the requirements and model forms that were included in CNMV Circular 3/2009, of 25 March.

  Finally, it determines the procedure for calculating the minimum liquidity ratio of 1% of total assets that must be held by CIS, as well as the qualifying categories of liquid assets.

  This Circular entered into force on 13 October 2016.

  It amends:

  • Rule 7 and replaces Annex 8 of CNMV Circular 4/2008, of 11 September, on the content of the quarterly, half-yearly and annual reports of collective investment schemes and their position statements.

  It adds:

  • Rule 6 *bis* to CNMV Circular 6/2008, of 26 November, on determining net asset value and operational aspects of collective investment schemes.

It repeals:

- CNMV Circular 3/2009, of 25 March, on the content of the half-yearly report on compliance with the supervision and oversight function of the depositories of collective investment schemes.

– CNMV Circular 5/2016, of 27 July, which amends Circular 9/2008, of 10 December, on accounting standards, confidential and public financial statements and annual accounts of governing companies of official secondary markets, excluding the Bank of Spain, of the governing bodies of multilateral trading facilities, of the Sociedad de Sistemas, of central counterparties, of the Sociedad de Bolsas, of companies which hold all the shares of governing bodies of official secondary markets and multilateral trading facilities, and of other clearing and settlement systems of markets which are created pursuant to the provisions of the Securities Market Act.

This Circular aims to adapt accounting and financial reporting standards in Spain to the criteria established by the European Union, which has defined new obligations for national market infrastructures with the aim of making post-trade services more efficient and standardised.

The reform of the Spanish securities clearing, settlement and registry system, which has made it possible to achieve greater competitiveness and to bring Spanish post-trade activities in line with the structures of other European countries, introduces a series of new aspects that directly affect operations and, therefore, the accounting of transactions by entities subject to compliance with this Circular. The new aspects include the following:

i) Mandatory involvement of a central counterparty in multilateral transactions on official secondary markets and multilateral trading facilities for the securities determined by regulations.

ii) The replacement of the system of guarantees managed by the central securities depository by a margin system managed by the central counterparty.

iii) The management of settlement fails when a central counterparty is involved.

The main aim of the amendment of this Circular is thus to adapt the financial accounting and reporting framework for national market infrastructures to certain requirements resulting from European legislation and to the new structure defined by the reform of post-trade services. Based on the above, this Circular brings together the amendments set out below:

i) The specific accounting criteria are adapted to the reality of the new securities clearing, settlement and registry system.

ii) It establishes, for the first time, a model quarterly form for the confidential statement of minimum requirements of own funds for central counterparties and for central securities depositories, in compliance with the EMIR and CSDR regulations, respectively.

Furthermore, for the purposes of exercising the CNMV's supervisory functions, in accordance with the provisions of Article 233 of the recast text of the Securities Market Act, with regard to governing companies of official secondary markets and multilateral trading facilities maintaining sufficient financial resources to facilitate their orderly functioning, bearing in mind the nature and scope of the operations performed in those trading venues and the type and level of risk to which they are exposed, the Circular incorporates a new own funds statement, which will be drawn up following best international practices, without this requiring the maintenance of a certain level of own funds.

iii) Some models of financial statements are updated in order to include a greater breakdown of components or to adapt them to the new operations that entities will perform. Noteworthy in this regard is the inclusion of a new heading in the profit and loss account entitled "Direct variable costs of the transactions" placed below, and subtracted from, the revenue headings, such that a "net revenue" subtitle is obtained that better reflects the trading of market infrastructures. This heading will include the directly incremental costs attributable to the provision of the service, such as costs that depend on the volumes of trading or settlement or those from revenue sharing arrangements.

iv) The administrative burden of the formalities of certification and filing of financial statements with the CNMV is simplified through the amendment of aspects relating to the validation of the information. In addition, the Circular specifies that public financial statements must be approved by the company's board of directors.

This Circular entered into force on 1 October 2016.

The Circular consists of one single rule amending CNMV Circular 9/2008, of 9 December, and one final provision.

– Bank of Spain Circular 6/2016, of 30 June, on credit institutions and financial credit establishments, determining the content and format of the "Financial Reporting-SME" document and specifying the risk rating methodology provided for in Law 5/2015, of 27 April, on promoting business financing.

One of the reasons making it difficult to promote and encourage the financing of small and medium-sized enterprises (hereinafter SMEs), an objective established in Law 5/2015, of 27 April, on promoting business financing, is the information asymmetry faced by credit institutions when they grant financing to SMEs, which makes the necessary work of assessing their risk more complicated and expensive.

With the aim of making the information comparable and reliable, Law 5/2015, of 27 April, entrusts the Bank of Spain both to specify the content and the format of the aforementioned document and to draw up a standardised methodology for assessing the credit quality of SMEs and freelance workers in order to obtain a risk rating.

This Circular entered into force on 11 October 2016.

Particularly relevant non-legislative developments since publication of the CNMV bulletin for the first quarter of 2016 are as follows:

– Regulation Amendment of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores.

  On 18 August, the Announcements Section of the *BOE* (Official State Gazette) published the amendment to the Regulation of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U., approved on 3 May 2016 and included in the CNMV Bulletin of the first quarter, which includes some amendments to the articles relating to the special and optional procedure of financial intermediaries.

European legislation

– Commission Delegated Regulation (EU) 2016/860, of 4 February 2016, specifying further the circumstances where exclusion from the application of write-down or conversion powers is necessary under Article 44(3) of Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms.

  This Delegated Regulation states that the general principle governing resolution is that shareholders and creditors should absorb losses in resolution in accordance with the order of priority of their claims under normal insolvency proceedings, and that creditors of the same class should be treated in an equitable manner. In accordance with Directive 2014/59/EU, liabilities that are not expressly excluded under Article 44(2) are bail-inable. However, resolution authorities have the power to fully or partially exclude certain liabilities from bail-in and pass the losses onto other creditors or, where necessary, to the resolution funds. The decision to use this power should be taken to achieve the objectives contained in Article 31(2) of the Directive.

  This Regulation recognises certain flexibility for the authorities and provides them with a framework when exercising their power to exclude a liability or class of liabilities from bail-in. However, it is limited by the fact that losses which are not fully absorbed by creditors may be covered by the resolution financing arrangement only when shareholders and creditors have contributed an amount equal to at least 8% of the institution's total liabilities, including own funds.

  Assessment of the exclusion may be based on the risk of contagion: direct, for instance where the direct losses to be suffered by counterparts of the institution under resolution lead to default or severe solvency issues; or indirect, for instance when, due to the loss of confidence of certain market participants, this may lead to the drying up of supply, higher margin requirements, fire sales of assets by institutions with liquidity shortfalls, etc. Consequently, the Regulation establishes that for the resolution authority to exclude a liability or a class of liabilities from bail-in, the value preserved would need to be sufficient to (potentially) improve the situation of non-excluded creditors.

– Commission Delegated Regulation (EU) 2016/861, of 18 February 2016, correcting Commission Delegated Regulation (EU) No. 528/2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council, with regard to regulatory technical standards for the non-delta risk of options in the standardised market risk approach and correcting Commission Delegated Regulation (EU) No. 604/2014, supplementing Directive 2013/36/EU of the European Parliament and of the Council, with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

  This Regulation entered into force on the day following its publication in the *Official Journal of the European Union*.

– Commission Delegated Regulation (EU) 2016/909, of 1 March 2016, supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council, with regard to regulatory technical standards for the content of notifications to be submitted to competent authorities and the compilation, publication and maintenance of the list of notifications.

  This Regulation refers to the content of the notifications that must be made by trading venues with regard to the financial instruments traded thereon.

  This Regulation applies from 3 July 2016.

– Commission Delegated Regulation (EU) 2016/822, of 21 April 2016, amending Delegated Regulation (EU) No. 153/2013 as regards the time horizons for the liquidation period to be considered for different classes of financial instruments. It is necessary to keep those regulatory technical standards up-to-date with relevant regulatory developments.

  By approving this Regulation, the Commission aims to update the requirements to be met by central counterparties as regards time horizons for the liquidation period for financial products other than over-the-counter derivatives where certain conditions are met. These rules better protect clients and mitigate systemic risks.

– Commission Implementing Regulation (EU) 2016/959, of 17 May 2016, laying down implementing technical standards for market soundings with regard to the systems and notification templates to be used by disclosing market participants and the format of the records in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council.

Regulation (EU) No. 596/2014 on market abuse authorises the Commission to adopt delegated acts. In use of those powers, the European Commission has enacted, *inter alia*, this Regulation, which entered into force on the day following its publication in the *Official Journal of the European Union* (published on 17 June 2016).

– Commission Implementing Regulation (EU) 2016/818, of 17 May 2016, amending Implementing Regulation (EU) No. 1030/2014, laying down implementing technical standards with regard to the uniform formats and date for the disclosure of the values used to identify global systemically important institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

  The main aim of this Regulation is to promote global consistency in disclosure and transparency in the process of identifying global systemically important institutions.

– Commission Delegated Regulation (EU) 2016/1608, of 17 May 2016, amending Delegated Regulation (EU) No. 1222/2014, with regard to regulatory technical standards for the specification of the methodology for the identification of global systemically important institutions and for the definition of subcategories of global systemically important institutions.

  This Regulation aligns the European criteria for identifying global systemically important institutions with the recent contributions from the Basel Committee on Banking Supervision in this regard.

  The text itself indicates that further updates are expected in the future as it becomes necessary to complete the consistency of the European system with that of the Basel Committee.

– Commission Delegated Regulation (EU) 2016/1437, of 19 May 2016, supplementing Directive 2004/109/EC of the European Parliament and of the Council, with regard to regulatory technical standards on access to regulated information at an EU level.

  In order to ensure fast access to regulated information on a non-discriminatory basis and make that information available to end users, the European Securities and Markets Authority (ESMA) has an obligation to develop and operate a European Electronic Access Point (EEAP), which is regulated and implemented through this Regulation.

  The Regulation entered into force on the day of its publication, with the exception of Article 9 (common list and classification of regulated information) and Article 7 (on unique identifiers), whose entry into force is delayed until 1 January 2017.

– Commission Delegated Regulation (EU) 2016/1401, of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms with regard to regulatory technical standards for methodologies and principles on the valuation of liabilities arising from derivatives.

This Regulation supplements Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms with regard to regulatory technical standards for methodologies and principles on the valuation of liabilities arising from derivatives.

– Commission Delegated Regulation (EU) 2016/1450, of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council, with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities.

  Directive 2014/59/EU provides that institutions should meet a minimum requirement for own funds and eligible liabilities to avoid institutions excessively relying on forms of funding excluded from bail-in. A failure to meet this minimum requirement would negatively impact institutions' loss absorption and recapitalisation capacity and, ultimately, the overall effectiveness of resolution.

  This Regulation establishes that the assessment of the necessary capacity to absorb losses should be closely linked to the institution's current capital requirements, and the assessment of the necessary capacity to restore capital should be closely linked to likely capital requirements after the application of the resolution strategy, unless there are clear reasons why losses in resolution should be assessed differently from those in a going concern.

– Commission Implementing Regulation (EU) 2016/824, of 25 May 2016, laying down implementing technical standards with regard to the content and format of the description of the functioning of multilateral trading facilities and organised trading facilities and the notification to the European Securities and Markets Authority according to Directive 2014/65/EU of the European Parliament and of the Council, on markets in financial instruments.

  Having regard to Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II), this Regulation implements the information that multilateral trading facilities (MTFs) and organised trading facilities (OTFs) must submit to the competent authorities with regard to their structure and organisation. This information should build upon the information an investment firm or market operator would be required to provide under MiFID II.

  OTFs, as they have discretionary rules during the trading process, unlike MTFs, should provide additional information to the competent authorities. The Regulation is based on the draft implementing technical standards submitted by the European Securities Markets Authority, which are all unified in an Annex to be submitted to the competent State authorities.

In addition, the Regulation establishes that competent authorities shall notify authorisations approved for MTFs or OTFs.

– Commission Implementing Regulation (EU) 2016/892, of 7 June 2016, on the extension of the transitional periods related to own funds requirements for exposures to central counterparties set out in Regulation (EU) No. 575/2013 and Regulation (EU) No. 648/2012 of the European Parliament and of the Council.

  This Regulation entered into force on the day following its publication in the *Official Journal of the European Union*.

– Commission Delegated Regulation (EU) 2016/1712, of 7 June 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms with regard to regulatory technical standards specifying a minimum set of information on financial contracts that should be contained in the detailed records and the circumstances in which the requirement should be imposed.

  In order to ensure that competent authorities and resolution authorities may easily access data on financial contracts, as defined in Directive 2014/59/EU, those authorities should require institutions or entities to maintain a minimum set of information on such contracts on an on-going basis. This Regulation establishes a minimum set of information on financial contracts to be maintained by institutions and entities.

– Regulation (EU) 2016/1011 of the European Parliament and of the Council, of 8 June 2016, on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014.

  The subject matter of this Regulation is to introduce a common regulatory framework for benchmarks used in financial instruments and financial contracts or those used to measure the performance of investment funds in the European Union.

  The Regulation thus applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark in the European Union as from 1 January 2018, with the exceptions expressly indicated in Article 59.

– Regulation (EU) 2016/1014 of the European Parliament and of the Council, of 8 June 2016, amending Regulation (EU) No. 575/2013 as regards exemptions for commodity dealers.

  Regulation (EU) No. 575/2013 of the European Parliament and of the Council, exempts investment firms whose main business consists exclusively of the provision of investment services or activities in relation to the financial instruments set out in points 5, 6, 7, 9 and 10 of Section C of Annex I to Directive 2004/39/EC of the European Parliament and of the Council, and to whom Council Directive 93/22/EEC did not apply on 31 December 2006 ("commodity dealers") from the requirements for large exposures and from own funds requirements.

Regulation 2016/1014 establishes a new date until which the exemptions for the aforementioned entities shall apply, therefore amending Regulation (EU) 575/2013.

– Commission Implementing Regulation (EU) 2016/911, of 9 June 2016, laying down implementing technical standards with regard to the form and the content of the description of group financial support agreements in accordance with Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms.

  This Regulation aims to harmonise the system of group financial support arrangements through the disclosure mechanism, i.e., to set out in a regulation what information is to be provided by the entities subject to a group financial support arrangement and to establish the adoption of agreements based on effective trust and transparency, thus achieving appropriate and suitable group restructuring and transfer of funds, and establishing an arrangement format that is easily accessible to the public.

– Commission Delegated Regulation (EU) 2016/1178, of 10 June 2016, supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council, with regard to regulatory technical standards on the clearing obligation.

  The European Securities and Markets Authority (ESMA) has determined the classes of interest-rate for over-the-counter (OTC) derivatives that should be subject to the clearing obligation in accordance with the procedure set out in Regulation (EU) No. 648/2012. Different counterparties need different periods of time to put in place the necessary arrangements to clear the interest rate OTC derivatives subject to the clearing obligation. Consequently, counterparties are classified into categories (there are four categories) in which sufficiently similar counterparties become subject to the clearing obligation from the same date.

  The Regulation sets out various rules relating to how Member States should determine the effective date of entry into force of the clearing obligation, depending on the category.

– Commission Implementing Regulation (EU) 2016/962, of 16 June 2016, laying down implementing technical standards with regard to the uniform formats, templates and definitions for the identification and transmission of information by competent authorities and resolution authorities to the European Banking Authority according to Directive 2014/59/EU of the European Parliament and of the Council.

This Regulation entered into force on the twentieth day following its publication in the *Official Journal of the European Union*.

– Commission Implementing Regulation (EU) 2016/1066, of 17 June 2016, laying down implementing technical standards with regard to procedures, standard forms and templates for the provision of information for the purpose of resolution plans for credit institutions and investment firms pursuant to Directive 2014/59/EU of the European Parliament and of the Council.

  Resolution authorities have been conferred the task of drawing up resolution plans for credit institutions and investment firms in accordance with the requirements and procedure provided for in Directive 2014/59/EU and for that purpose they have been empowered to request the necessary information from institutions. The procedure and a minimum set of templates to request the necessary information should be designed in a way to enable the resolution authorities to collect that information in a consistent manner throughout the European Union. This Regulation establishes a minimum set of templates to collect the basic information on the entity that must be provided to the resolution authority such that the provision of information necessary to draw up and implement resolution plans shall be carried out following the established procedure and making use, where applicable, of the templates included in the text of the Regulation.

– Regulation (EU) 2016/1033 of the European Parliament and of the Council, of 23 June 2016, amending Regulation (EU) No. 600/2014 on markets in financial instruments, Regulation (EU) No. 596/2014 on market abuse and Regulation (EU) No. 909/2014 on improving securities settlement in the European Union and on central securities depositories.

  This Regulation includes amendments and specifications to the provisions set out in the title given the complexity of the legal framework established by such provisions in order to ensure legal certainty and their correct application.

– Council Directive (EU) 2016/1065, of 27 June 2016, amending Directive 2006/112/EC as regards the treatment of vouchers.

  This Directive amends EU legislation on Value Added Tax (VAT) in order to regularise the accounting treatment of VAT on vouchers depending on whether the voucher is classified as single-purpose or multi-purpose.

– Commission Implementing Regulation (EU) 2016/1055, of 29 June 2016, laying down implementing technical standards with regard to the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council.

  This Regulation entered into force on the day following its publication in the *Official Journal of the European Union*, and to be applied as from 3 July 2016.

– Commission Implementing Regulation (EU) 2016/1702, of 18 August 2016, amending Implementing Regulation (EU) No. 680/2014 as regards templates and instructions.

This Regulation provides further precision with regard to the templates and instructions contained in Implementing Regulation (EU) No. 680/2014, including definitions, for the purposes of clarifying the supervisory reporting of credit institutions and investment firms. It also updates said Regulation to correct typos.

This Regulation shall apply from 1 December 2016.

– Commission Implementing Regulation (EU) 2016/1368, of 11 August 2016, establishing a list of critical benchmarks used in financial markets pursuant to Regulation (EU) 2016/1011 of the European Parliament and of the Council.

This Regulation entered into force on the day following its publication in the *Official Journal of the European Union*.

IV Statistics annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

	2013	2014	2015	2015 IV	2016 I	II	III	IV[2]
NO. OF ISSUERS								
Total	39	49	52	19	17	20	13	3
Capital increases	39	47	47	19	17	20	13	3
Primary offerings	5	6	0	0	0	3	0	0
Bonus issues	16	19	17	8	5	5	6	1
Of which, scrip dividend	9	12	12	6	5	4	4	1
Capital increases by conversion[3]	14	11	11	4	6	4	3	1
For non-monetary consideration[4]	4	4	5	1	2	1	2	1
With pre-emptive subscription rights	6	5	12	3	3	5	2	0
Without trading warrants	15	16	11	4	2	3	1	1
Secondary offerings	0	4	6	0	0	2	0	0
NO. OF ISSUES								
Total	145	147	115	24	21	24	15	4
Capital increases	145	140	103	24	21	22	15	4
Primary offering	5	8	0	0	0	4	0	0
Bonus issues	38	37	28	8	6	5	6	1
Of which, scrip dividend	20	28	22	6	6	4	4	1
Capital increases by conversion[3]	50	43	31	6	8	4	3	1
For non-monetary consideration[4]	17	9	7	1	2	1	3	1
With pre-emptive subscription rights	6	5	15	3	3	5	2	0
Without trading warrants	29	38	22	6	2	3	1	1
Secondary offerings	0	7	12	0	0	2	0	0
CASH VALUE (million euro)								
Total	39,126.2	32,762.4	37,067.4	5,160.0	4,891.5	9,247.2	1,907.8	1,961.1
Capital increases	39,126.2	27,875.5	28,735.8	5,160.0	4,891.5	8,740.6	1,907.8	1,961.1
Primary offerings	1,742.8	2,951.5	0.0	0.0	0.0	807.6	0.0	0.0
Bonus issues	9,932.8	12,650.8	9,627.8	2,749.1	966.6	1,233.3	1,146.3	455.4
Of which, scrip dividend	9,869.4	12,573.8	9,627.8	2,749.1	966.6	1,233.3	1,146.3	455.4
Capital increases by conversion[3]	7,478.8	3,757.9	2,162.5	1,015.7	3,008.6	230.7	342.6	2.2
For non-monetary consideration[4]	231.6	2,814.5	367.0	0.1	50.8	0.0	238.3	1,502.6
With pre-emptive subscription rights	11,463.1	2,790.8	7,932.6	1,047.1	799.9	5,534.0	174.8	0.0
Without trading warrants	8,277.1	2,909.9	8,645.9	348.0	65.5	935.0	5.8	0.8
Secondary offerings	0.0	4,886.9	8,331.6	0.0	0.0	506.6	0.0	0.0
NOMINAL VALUE (million euro)								
Total	20,135.9	4,768.5	4,253.4	568.9	1,314.4	2,009.6	338.5	189.7
Capital increases	20,135.9	4,472.6	3,153.3	568.9	1,314.4	1,995.7	338.5	189.7
Primary offerings	988.2	626.7	0.0	0.0	0.0	11.3	0.0	0.0
Bonus issues	1,458.6	1,258.2	946.6	270.3	102.8	300.8	122.7	42.3
Of which, scrip dividend	1,208.3	1,110.0	785.8	261.7	102.8	159.3	119.7	42.3
Capital increases by conversion[3]	3,721.0	819.7	107.0	63.5	1,028.4	11.1	47.9	0.2
For non-monetary consideration[4]	60.3	311.0	146.6	0.0	7.3	0.0	94.8	146.7
With pre-emptive subscription rights	8,021.7	1,185.7	1,190.7	132.4	156.5	1,173.0	72.6	0.0
Without trading warrants	5,886.0	271.3	762.3	102.8	19.4	499.6	0.5	0.5
Secondary offerings	0.0	295.9	1,100.2	0.0	0.0	13.9	0.0	0.0
Pro memoria: transactions MAB[5]								
No. of issuers	7	9	16	7	2	3	8	2
No. of issues	14	15	18	7	2	3	8	2
Cash value (million euro)	45.7	130.1	177.8	133.8	7.2	4.2	178.2	20.5
Capital increases	45.7	130.1	177.8	133.8	7.2	4.2	178.2	20.5
Of which, primary offerings	1.8	5.0	21.6	12.9	0.0	0.0	7.3	0.0
Secondary offerings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Registered transactions at the CNMV. Does not include data from MAB, ETF or Latibex.
2 Available data: October 2016.
3 Includes capital increases by conversion of bonds or debentures, by exercise of employee share options and by exercise of warrants.
4 Capital increases for non-monetary consideration are valued at market prices.
5 Unregistered transactions at the CNMV. Source: BME and CNMV.

Companies listed[1]

TABLE 1.2

	2013	2014	2015	2015 IV	2016 I	II	III	IV[2]
Total electronic market[3]	123	129	129	129	129	131	132	130
Of which, without Nuevo Mercado	123	129	129	129	129	131	132	130
Of which, Nuevo Mercado	0	0	0	0	0	0	0	0
Of which, foreign companies	7	8	7	7	7	7	7	7
Second Market	7	6	5	5	5	5	5	5
Madrid	2	2	2	2	2	2	2	2
Barcelona	5	4	3	3	3	3	3	3
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry ex SICAVs	23	20	18	18	17	15	15	14
Madrid	11	9	8	8	7	6	6	5
Barcelona	13	12	10	10	10	9	9	8
Bilbao	7	7	6	6	5	5	5	5
Valencia	4	4	3	3	3	3	3	3
Open outcry SICAVs	0	0	0	0	0	0	0	0
MAB[4]	3,066	3,269	3,429	3,429	3,429	3,416	3,397	3,378
Latibex	26	26	21	21	20	20	20	20

1 Data at the end of period.
2 Available data: October 2016.
3 Without ETFs (Exchange Traded Funds).
4 Alternative Stock Market.

Capitalisation[1]

TABLE 1.3

Million euro	2013	2014	2015	2015 IV	2016 I	II	III	IV[2]
Total electronic market[3]	705,162.3	735,317.8	766,335.7	766,335.7	705,971.5	675,765.0	727,943.2	749,302.0
Of which, without Nuevo Mercado	705,162.3	735,317.8	766,335.7	766,335.7	705,971.5	675,765.0	727,943.2	749,302.0
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies[4]	141,142.4	132,861.1	141,695.3	141,695.3	131,231.2	127,150.3	134,605.9	138,575.1
Ibex 35	430,932.9	479,378.5	477,521.1	477,521.1	438,196.0	413,090.6	451,319.1	471,130.6
Second Market	67.5	30.2	20.6	20.6	78.1	116.4	114.8	114.2
Madrid	18.3	15.8	20.6	20.6	78.1	74.1	72.5	72.0
Barcelona	49.3	14.4	0.0	0.0	0.0	42.3	42.3	42.3
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 SICAVs	2,906.2	2,466.6	1,040.3	1,040.3	1,017.9	1,562.4	1,418.3	1,319.0
Madrid	519.4	376.5	296.9	296.9	326.7	380.4	340.6	282.4
Barcelona	2,749.5	2,356.5	887.7	887.7	3,581.0	1,409.1	1,263.6	1,165.1
Bilbao	183.6	162.5	943.3	943.3	216.2	67.9	58.0	48.7
Valencia	342.5	326.4	150.0	150.0	69.6	350.1	325.3	349.2
Open outcry SICAVs[5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB[5, 6]	32,171.2	34,306.0	37,258.5	37,258.5	36,008.2	35,480.3	38,154.1	38,404.9
Latibex	270,926.9	286,229.2	116,573.4	116,573.4	139,318.8	135,514.7	172,399.6	206,951.7

1 Data at the end of period.
2 Available data: October 2016.
3 Without ETFs (Exchange Traded Funds).
4 Foreign companies capitalisation includes their entire shares, whether they are deposited in Spain or not.
5 Calculated only with outstanding shares, not including treasury shares, because capital stock is not reported until the end of the year.
6 Alternative Stock Market.

Trading

TABLE 1.4

Million euro	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
Total electronic market[2]	693,168.0	864,443.5	938,396.7	213,164.9	193,947.4	187,774.1	117,753.5	43,313.1
Of which, without Nuevo Mercado	693,168.0	864,443.5	938,396.7	213,164.9	193,947.4	187,774.1	117,753.5	43,313.1
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies	5,640.5	14,508.9	12,417.7	985.7	1,295.8	1,550.9	1,539.1	432.3
Second Market	1.7	0.7	13.8	0.2	0.1	0.4	2.4	0.1
Madrid	1.4	0.5	13.7	0.1	0.1	0.0	2.4	0.1
Barcelona	0.3	0.2	0.1	0.1	0.0	0.4	0.0	0.0
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 SICAVs	51.4	92.5	246.1	23.7	1.6	4.0	0.5	0.2
Madrid	7.3	32.6	19.4	11.0	1.4	1.2	0.1	0.0
Barcelona	44.1	45.2	219.1	8.0	0.2	2.7	0.4	0.2
Bilbao	0.1	14.3	7.5	4.7	0.0	0.0	0.0	0.0
Valencia	0.0	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Open outcry SICAVs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB[3]	5,896.3	7,723.3	6,441.7	1,720.3	1,134.0	1,053.5	1,021.7	448.3
Latibex	367.3	373.1	258.7	46.4	53.4	17.7	26.5	13.2

1 Available data: October 2016.
2 Without ETFs (Exchange Traded Funds).
3 Alternative Stock Market.

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

TABLE 1.5

Million euro	2013	2014	2015	2015 IV	2016 I	II	III	IV[2]
Regular trading	668,553.2	831,962.6	903,397.2	207,994.4	190,416.2	184,716.6	113,638.7	41,587.6
Orders	346,049.6	453,294.9	475,210.0	100,555.9	101,673.7	94,863.2	70,745.2	25,402.1
Put-throughs	56,565.3	73,056.9	96,187.7	23,156.8	24,388.3	19,372.1	11,354.0	4,322.1
Block trades	265,938.3	305,610.8	331,999.5	84,281.7	64,354.2	70,481.3	31,539.5	11,863.4
Off-hours	7,654.7	7,568.8	3,137.9	84.8	817.5	122.1	260.6	627.9
Authorised trades	4,839.9	7,808.9	14,885.5	1,260.1	1,297.7	1,357.9	2,580.0	765.7
Art. 36.1 SML trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	326.5	175.3	4,360.1	989.7	0.0	0.0	788.4	0.0
Public offerings for sale	396.1	6,143.4	4,266.8	0.0	0.0	0.0	0.0	0.0
Declared trades	379.7	410.9	203.6	0.0	0.0	0.0	37.3	0.0
Options	7,083.5	6,954.1	5,964.2	2,332.4	1,019.3	1,158.4	82.4	140.0
Hedge transactions	3,934.4	3,419.5	2,181.4	503.4	396.8	419.5	366.0	191.9

1 Without ETFs (Exchange Traded Funds).
2 Available data: October 2016.

Margin trading for sales and securities lending

TABLE 1.6

Million euro	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
TRADING								
Securities lending[2]	464,521.5	599,051.5	691,486.7	160,890.1	152,217.8	55,676.4	0.0	0.0
Margin trading for sales of securities[3]	326.8	357.9	178.2	0.0	0.0	0.0	0.0	0.0
Margin trading for securities purchases[3]	34.1	16.2	6.4	0.0	0.0	0.0	0.0	0.0
OUTSTANDING BALANCE								
Securities lending[2]	43,398.9	61,076.1	79,952.8	79,952.8	83,785.2	92,662.6	92,662.6	92,662.6
Margin trading for sales of securities[3]	7.3	6.4	0.0	0.0	0.0	0.0	0.0	0.0
Margin trading for securities purchases[3]	0.6	0.4	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: October 2016.
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 at the CNMV

TABLE 1.7

	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
NO. OF ISSUERS								
Total	49	46	49	29	20	24	16	11
Mortgage covered bonds	12	13	13	8	8	8	0	2
Territorial covered bonds	5	3	3	1	0	2	1	1
Non-convertible bonds and debentures	11	16	16	10	8	10	5	4
Convertible bonds and debentures	4	1	1	1	0	0	0	0
Backed securities	18	13	16	9	5	4	5	3
Commercial paper	20	18	16	5	4	3	4	3
Of which, asset-backed	0	1	1	0	1	0	0	0
Of which, non-asset-backed	20	17	15	5	3	3	4	3
Other fixed-income issues	0	0	0	0	0	0	1	0
Preference shares	0	0	0	0	0	0	0	0
NO. OF ISSUES								
Total	297	662	415	119	97	110	68	35
Mortgage covered bonds	40	27	34	8	14	16	0	2
Territorial covered bonds	6	3	6	1	0	2	1	1
Non-convertible bonds and debentures	170	578	318	79	65	80	51	19
Convertible bonds and debentures	8	1	1	1	0	0	0	0
Backed securities	53	35	40	25	13	9	11	10
Commercial paper[2]	20	18	16	5	5	3	4	3
Of which, asset-backed	0	1	1	0	1	0	0	0
Of which, non-asset-backed	20	17	15	5	4	3	4	3
Other fixed-income issues	0	0	0	0	0	0	1	0
Preference shares	0	0	0	0	0	0	0	0
NOMINAL AMOUNT (million euro)								
Total	138,838.6	130,258.4	136,607.3	46,948.9	40,721.8	29,252.0	13,523.1	7,173.4
Mortgage covered bonds	24,799.7	23,838.0	31,375.0	7,000.0	9,943.0	10,199.5	0.0	1,500.0
Territorial covered bonds	8,115.0	1,853.3	10,400.0	400.0	0.0	2,750.0	2,500.0	2,000.0
Non-convertible bonds and debentures	32,536.9	41,154.7	39,099.9	18,943.6	8,344.2	4,054.2	1,411.5	520.3
Convertible bonds and debentures	803.3	750.0	53.2	53.2	0.0	0.0	0.0	0.0
Backed securities	28,592.9	29,008.0	28,369.6	11,646.3	17,038.2	4,655.5	4,186.2	1,543.0
Spanish tranche	24,980.1	26,972.1	25,147.2	10,690.7	15,233.5	4,589.0	3,865.2	659.0
International tranche	3,612.8	2,035.9	3,222.4	955.6	1,804.7	66.5	321.0	884.0
Commercial paper[3]	43,990.8	33,654.4	27,309.6	8,905.8	5,396.4	7,592.8	3,925.4	1,610.1
Of which, asset-backed	1,410.0	620.0	2,420.0	600.0	560.0	580.0	0.0	480.0
Of which, non-asset-backed	42,580.8	33,034.4	24,889.6	8,305.8	4,836.4	7,012.8	3,925.4	1,130.1
Other fixed-income issues	0.0	0.0	0.0	0.0	0.0	0.0	1,500.0	0.0
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pro memoria:								
Subordinated issues	4,776.0	7,999.3	5,452.2	2,240.6	1,980.0	130.0	733.4	82.2
Underwritten issues	193.0	195.8	0.0	0.0	421.0	0.0	0.0	0.0

1 Available data: October 2016.
2 Shelf registrations.
3 The figures for commercial paper refer to the amount placed.

Issues admitted to trading on AIAF[1]

TABLE 1.8

Nominal amount in million euro	2013	2014	2015	2015 IV	2016 I	II	III	IV[2]
Total	130,467.7	114,956.4	145,890.9	30,363.5	52,821.7	31,608.8	14,006.8	7,352.7
Commercial paper	45,228.6	33,493.1	27,455.3	9,161.8	4,989.4	7,927.4	3,904.6	1,707.2
Bonds and debentures	22,414.4	25,712.5	47,616.4	2,140.5	24,431.4	3,830.5	1,307.8	195.4
Mortgage covered bonds	25,399.7	24,438.0	31,375.0	7,000.0	7,143.0	12,999.5	0.0	1,500.0
Territorial covered bonds	8,115.0	1,853.3	10,400.0	400.0	0.0	2,750.0	2,500.0	2,000.0
Backed securities	29,309.9	29,459.5	29,044.2	11,661.1	16,257.9	4,101.4	4,794.4	1,950.2
Preference shares	0.0	0.0	0.0	0.0	0.0	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 Includes only corporate bonds.
2 Available data: October 2016.

AIAF. Issuers, issues and outstanding balance

TABLE 1.9

	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
NO. OF ISSUERS								
Total	493	465	388	388	381	376	375	375
Corporate bonds	492	464	387	387	380	375	374	374
Commercial paper	30	19	16	16	14	14	14	14
Bonds and debentures	91	79	64	64	61	57	53	52
Mortgage covered bonds	48	49	44	44	42	43	43	43
Territorial covered bonds	12	9	9	9	9	9	9	9
Backed securities	341	329	278	278	274	274	275	276
Preference shares	34	23	13	13	9	9	9	9
Matador bonds	9	9	7	7	7	7	7	6
Government bonds	1	1	1	1	1	1	1	1
Letras del Tesoro	1	1	1	1	1	1	1	1
Long Government bonds	1	1	1	1	1	1	1	1
NO. OF ISSUES								
Total	5,060	3,345	2,723	2,723	2,759	2,710	2,649	2,637
Corporate bonds	4,907	3,192	2,531	2,531	2,519	2,503	2,441	2,433
Commercial paper	2,529	1,130	392	392	371	355	342	351
Bonds and debentures	558	495	882	882	923	917	879	856
Mortgage covered bonds	328	283	238	238	230	236	232	231
Territorial covered bonds	52	39	32	32	31	32	29	29
Backed securities	1,334	1,188	966	966	945	944	940	948
Preference shares	94	47	16	16	12	12	12	12
Matador bonds	12	10	7	7	7	7	7	6
Government bonds	153	153	193	193	209	207	208	204
Letras del Tesoro	12	12	12	12	12	12	12	12
Long Government bonds	141	141	181	181	197	195	196	192
OUTSTANDING BALANCE[2] (million euro)								
Total	1,442,270.2	1,374,947.5	1,386,289.8	1,386,289.8	1,385,905.0	1,419,351.9	1,420,731.1	1,408,556.6
Corporate bonds	708,601.8	581,825.3	534,088.9	534,088.9	535,398.0	542,060.1	533,307.9	531,056.9
Commercial paper	28,816.3	20,361.6	15,172.9	15,172.9	13,662.0	17,027.6	16,585.7	16,637.4
Bonds and debentures	132,076.6	74,076.5	74,082.2	74,082.2	88,142.0	87,204.9	86,706.2	85,477.8
Mortgage covered bonds	246,967.9	208,314.2	194,072.7	194,072.7	178,610.7	187,479.6	183,627.5	180,677.5
Territorial covered bonds	29,793.5	24,671.3	27,586.3	27,586.3	27,336.3	29,086.3	27,887.3	29,387.3
Backed securities	269,176.8	253,045.1	222,100.4	222,100.4	226,702.1	220,317.0	217,556.3	217,992.1
Preference shares	1,076.2	782.1	627.4	627.4	497.8	497.8	497.8	497.8
Matador bonds	694.6	574.4	447.1	447.1	447.1	447.1	447.1	386.9
Government bonds	733,668.3	793,122.3	852,200.9	852,200.9	872,816.1	877,291.7	887,423.2	877,499.6
Letras del Tesoro	89,174.4	77,926.1	82,435.4	82,435.4	84,129.6	80,542.9	79,032.7	81,037.1
Long Government bonds	644,493.9	715,196.2	769,765.5	769,765.5	788,686.5	796,748.8	808,390.6	796,462.5

1 Available data: October 2016.
2 Nominal amount.

AIAF. Trading

TABLE 1.10

Nominal amount in million euro	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
BY TYPE OF ASSET								
Total	1,400,757.7	1,118,963.7	521,853.7	105,131.4	57,380.2	39,810.3	33,320.6	14,358.8
Corporate bonds	1,400,601.6	1,118,719.6	521,590.4	105,077.8	57,350.7	39,774.7	33,301.2	14,343.9
Commercial paper	112,559.8	48,817.3	31,346.2	8,116.7	4,274.6	5,972.1	5,578.0	1,259.8
Bonds and debentures	295,191.7	269,659.8	78,120.5	13,342.8	6,876.9	7,585.7	7,236.7	1,931.4
Mortgage covered bonds	341,674.0	376,273.3	187,201.7	38,663.4	33,020.3	16,213.9	12,431.2	5,573.6
Territorial covered bonds	86,758.6	82,023.2	46,711.4	11,530.0	2,506.7	47.6	775.0	2,000.0
Backed securities	538,064.8	341,827.8	177,844.1	33,148.4	10,658.1	9,952.0	7,276.0	3,578.7
Preference shares	26,256.0	97.7	295.5	258.0	13.9	0.5	4.3	0.4
Matador bonds	96.7	20.5	71.1	18.5	0.1	2.9	0.0	0.0
Government bonds	156.1	244.1	263.3	53.6	29.5	35.6	19.4	15.0
Letras del Tesoro	11.6	30.7	30.2	0.0	0.0	1.0	0.1	7.1
Long Government bonds	144.4	213.4	233.1	53.6	29.5	34.6	19.3	7.9
BY TYPE OF TRANSACTION								
Total	1,400,757.6	1,118,963.7	521,853.7	105,131.4	57,380.1	39,810.3	33,320.6	14,358.8
Outright	290,633.0	396,341.0	239,086.8	53,887.6	43,126.0	31,700.3	20,950.8	11,305.1
Repos	69,063.3	29,800.4	7,144.5	3,881.8	2,480.1	851.3	512.1	80.6
Sell-buybacks/Buy-sellbacks	1,041,061.3	692,822.2	267,875.7	47,362.0	11,774.1	7,258.7	11,857.7	2,973.2

1 Available data: October 2016.

AIAF. Third-party trading. By purchaser sector

TABLE 1.11

Nominal amount in million euro	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
Total	275,939.0	262,527.8	193,694.8	51,360.3	40,730.0	27,509.1	19,622.1	10,675.2
Non-financial companies	45,351.7	30,843.4	22,747.1	5,841.2	3,617.7	1,540.5	1,276.7	52.5
Financial institutions	163,671.3	132,114.5	95,467.1	19,720.2	19,669.1	13,894.5	11,936.0	6,246.2
Credit institutions	97,674.3	87,475.6	74,196.0	14,058.2	14,439.6	9,642.9	8,279.3	4,642.6
CIS, insurance and pension funds	59,371.8	34,205.9	8,835.4	3,466.4	2,464.7	2,742.7	1,642.9	527.1
Other financial institutions	6,625.2	10,433.1	12,435.7	2,195.6	2,764.8	1,508.9	2,013.9	1,076.4
General government	2,438.8	5,067.3	10,414.4	1,042.3	1,300.8	1,694.4	1,062.7	438.0
Households and NPISHs[2]	8,598.4	2,861.8	1,575.2	319.8	352.2	279.8	206.6	51.1
Rest of the world	55,878.8	91,640.7	63,491.1	24,436.8	15,790.2	10,100.0	5,140.1	3,887.4

1 Available data: October 2016.
2 Non-profit institutions serving households.

Issues admitted to trading on equity markets[1]

TABLE 1.12

	2013	2014	2015	2015 IV	2016 I	II	III	IV[2]
NOMINAL AMOUNTS (million euro)								
Total	779.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-convertible bonds and debentures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Convertible bonds and debentures	779.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	0.0	0.0	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
NO. OF ISSUES								
Total	2	0	0	0	0	0	0	0
Non-convertible bonds and debentures	0	0	0	0	0	0	0	0
Convertible bonds and debentures	2	0	0	0	0	0	0	0
Backed securities	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0

1 Includes only corporate bonds.
2 Available data: October 2016.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.13

	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
NO. OF ISSUERS								
Total	40	28	20	20	19	19	19	17
Private issuers	27	17	10	10	9	9	9	7
Non-financial companies	2	0	0	0	0	0	0	0
Financial institutions	25	17	10	10	9	9	9	7
General government[2]	13	11	10	10	10	10	10	10
Regional governments	3	3	2	2	2	2	2	2
NO. OF ISSUES								
Total	197	165	103	103	96	91	86	79
Private issuers	89	65	43	43	37	35	35	28
Non-financial companies	2	0	0	0	0	0	0	0
Financial institutions	87	65	43	43	37	35	35	28
General government[2]	108	100	60	60	59	56	51	51
Regional governments	64	56	25	25	25	25	24	24
OUTSTANDING BALANCES[3] (million euro)								
Total	25,284.5	16,800.4	11,702.2	11,702.2	11,596.1	11,554.2	11,268.5	11,114.0
Private issuers	8,317.5	3,401.2	1,383.3	1,383.3	1,186.6	1,147.1	1,099.2	945.5
Non-financial companies	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	8,315.5	3,401.2	1,383.3	1,383.3	1,186.6	1,147.1	1,099.2	945.5
General government[2]	16,967.0	13,399.2	10,319.0	10,319.0	10,409.6	10,407.1	10,169.3	10,168.5
Regional governments	15,716.3	12,227.2	9,320.2	9,320.2	9,411.7	9,411.7	9,211.7	9,211.7

1 Available data: October 2016.
2 Without public book-entry debt.
3 Nominal amount.

Trading on equity markets

TABLE 1.14

Nominal amounts in million euro	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
Electronic market	1,592.6	861.2	19.3	1.4	0.0	0.0	0.0	0.0
Open outcry	3,388.3	5,534.0	2,050.2	723.7	172.7	228.4	693.6	386.4
Madrid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barcelona	3,197.4	5,527.0	2,050.2	723.7	172.7	228.4	693.6	386.4
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	190.9	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Public book-entry debt	137.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional governments debt	41,062.2	42,677.2	22,169.0	2,256.4	1,526.3	225.1	897.3	107.5

1 Available data: October 2016.

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

TABLE 1.15

Nominal amounts in million euro	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
Total	64,011.0	103,044.0	101,555.0	32,837.0	31,231.0	53,039.0	38,752.0	13,471.0
Outright	64,011.0	103,044.0	101,555.0	32,837.0	31,231.0	53,039.0	38,752.0	13,471.0
Sell-buybacks/Buy-sellbacks	0.0	0.0	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

1 Available data: October 2016.

1.3 Derivatives and other products

1.3.1 Financial derivatives markets: MEFF

Trading on MEFF

TABLE 1.16

Number of contracts	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
Debt products	13,667	4,690	8,012	616	230	87	43	0
Debt futures[2]	13,667	4,690	8,012	616	230	87	43	0
Ibex 35 products[3, 4]	6,416,073	7,728,494	8,279,939	1,943,701	2,125,580	1,914,578	1,664,402	542,076
Ibex 35 plus futures	5,578,607	6,924,068	7,384,896	1,743,089	1,920,556	1,766,118	1,548,435	504,398
Ibex 35 mini futures	198,736	304,891	318,129	71,809	89,717	61,940	51,562	14,205
Ibex 35 dividend impact futures	3,520	23,939	32,499	13,321	13,908	13,027	5,448	3,250
Call mini options	308,084	302,255	325,479	58,337	51,347	38,567	31,200	10,480
Put mini options	327,126	173,342	218,937	57,146	50,053	34,927	27,757	9,743
Stock products[5]	35,884,393	27,697,961	31,768,355	8,509,783	8,253,156	8,048,626	6,048,948	2,506,840
Futures	14,927,659	12,740,105	10,054,830	2,069,470	3,312,316	2,670,353	1,446,623	238,968
Stock dividend futures	66,650	236,151	292,840	97,940	112,248	137,565	8,776	16,956
Call options	10,534,741	5,773,662	8,572,088	2,032,647	2,394,785	2,191,674	2,578,138	1,222,889
Put options	10,355,343	8,948,043	12,848,597	4,309,726	2,433,807	3,049,034	2,015,411	1,028,027
Pro-memoria: MEFF trading on Eurex								
Debt products[6]	335,648	345,766	298,756	56,775	83,958	73,460	31,731	11,734
Index products[7]	223,837	112,711	98,237	16,570	24,100	13,446	11,550	2,132

1 Available data: October 2016.
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, Schatz, Bon, Btp, Bts, Bux and Oat futures.
7 Dax 30, DJ EuroStoxx 50, DJ Stoxx 50 and MiniDax futures.

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

Issues registered at the CNMV

TABLE 1.17

	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
WARRANTS[2]								
Premium amount (million euro)	3,621.2	3,644.2	3,479.1	1,053.4	762.3	588.2	615.9	88.5
On stocks	2,211.8	1,770.9	1,807.3	583.5	431.3	373.7	272.0	44.6
On indexes	1,122.6	1,697.3	1,486.1	425.7	294.5	193.1	329.2	43.9
Other underlyings[3]	286.8	176.0	185.6	44.2	36.5	21.3	14.6	0.0
Number of issues	8,347	8,574	9,059	2,822	2,294	1,795	1,667	274
Number of issuers	7	6	8	6	5	5	5	2
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	0.0	0.0	5.0	0.0	0.0	50.0	100.0	0.0
On stocks	0.0	0.0	5.0	0.0	0.0	50.0	100.0	0.0
On indexes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other underlyings[3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of issues	0	0	1	0	0	1	1	0
Number of issuers	0	0	1	0	0	1	1	0

1 Available data: October 2016.
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 1.18

	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
WARRANTS								
Trading (million euro)	752.7	817.7	1,095.9	208.5	213.4	180.8	159.8	54.1
On Spanish stocks	379.4	379.8	303.6	63.8	77.2	72.8	46.0	16.6
On foreign stocks	86.3	51.2	66.7	12.5	8.8	8.1	7.6	2.9
On indexes	255.4	364.3	692.0	128.4	122.6	96.1	103.8	33.7
Other underlyings[2]	31.6	22.4	33.6	3.7	4.8	3.9	2.4	0.8
Number of issues[3]	7,299	7,612	7,530	2,635	2,757	2,708	2,257	1,333
Number of issuers[3]	8	8	9	9	8	8	8	8
CERTIFICATES								
Trading (million euro)	1.0	1.7	1.1	0.5	0.1	0.1	0.1	0.0
Number of issues[3]	2	2	2	2	2	2	2	2
Number of issuers[3]	1	1	1	1	1	1	1	1
ETFs								
Trading (million euro)	2,736.0	9,849.5	12,633.8	2,632.2	2,273.4	1,459.3	1,014.3	293.6
Number of funds	72	70	58	58	58	58	32	32
Assets[4] (million euro)	382.0	436.1	436.1	485.5	358.4	325.3	336.0	–

1 Available data: October 2016.
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 are only included because assets from foreign ones are not available.

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

	2013	2014	2015	2015 III	IV	2016 I	II	III
BROKER-DEALERS								
Spanish firms	41	38	39	38	39	39	41	42
Branches	20	21	25	22	25	23	23	27
Agents	6,269	6,116	5,819	6,354	5,819	5,740	5,748	5,740
BROKERS								
Spanish firms	41	37	39	39	39	38	37	40
Branches	11	19	21	21	21	22	23	22
Agents	520	466	468	470	468	457	485	482
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	5	5	3	4	3	2	2	2
Branches	5	5	9	5	9	8	8	8
Agents	1	1	0	1	0	0	0	0
FINANCIAL ADVISORY FIRMS								
Spanish firms	126	143	154	150	154	154	162	163
Branches	9	11	12	12	12	12	13	14
CREDIT INSTITUTIONS[1]								
Spanish firms	141	137	134	134	134	133	133	131

1 Source: Banco de España.

Investment services. Foreign firms

TABLE 2.2

	2013	2014	2015	2015 III	IV	2016 I	II	III
Total	3,104	3,102	3,177	3,146	3,177	3,206	3,270	3,294
Investment services firms	2,650	2,641	2,717	2,686	2,717	2,744	2,801	2,830
From EU member states	2,647	2,639	2,714	2,683	2,714	2,741	2,798	2,827
Branches	38	39	42	42	42	45	45	46
Free provision of services	2,609	2,600	2,672	2,641	2,672	2,696	2,753	2,781
From non-EU states	3	2	3	3	3	3	3	3
Branches	0	0	0	0	0	0	0	0
Free provision of services	3	2	3	3	3	3	3	3
Credit institutions[1]	454	461	460	460	460	462	469	464
From EU member states	444	452	451	451	451	454	461	457
Branches	52	54	53	53	53	53	54	53
Free provision of services	392	398	398	398	398	401	407	404
Subsidiaries of free provision of services	0	0	0	0	0	0	0	0
From non-EU states	10	9	9	9	9	8	8	7
Branches	8	6	6	6	6	5	5	5
Free provision of services	2	3	3	3	3	3	3	2

1 Source: Banco de España and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

Million euro	2013	2014	2015	2015 III	IV	2016 I	II	III
FIXED-INCOME								
Total	10,492,026.8	9,264,859.8	5,365,817.5	1,134,941.3	1,114,132.3	1,234,449.1	1,273,116.1	1,124,102.7
Broker-dealers	5,217,059.4	4,989,059.9	3,774,816.4	799,467.0	763,623.3	805,643.4	892,819.1	762,082.2
Spanish organised markets	2,597,608.6	2,372,515.0	1,909,130.4	401,189.0	335,795.1	369,646.2	374,752.4	336,786.1
Other Spanish markets	2,310,403.7	2,388,868.8	1,689,702.4	359,034.3	387,977.8	364,162.5	451,729.7	375,674.4
Foreign markets	309,047.1	227,676.1	175,983.6	39,243.7	39,850.4	71,834.7	66,337.0	49,621.6
Brokers	5,274,967.4	4,275,799.9	1,591,001.1	335,474.3	350,509.0	428,805.7	380,297.0	362,020.6
Spanish organised markets	69,066.6	89,472.6	14,160.0	4,423.8	2,261.0	14,338.1	6,844.3	3,039.3
Other Spanish markets	5,007,723.4	3,955,091.6	1,402,106.3	299,276.2	308,263.6	353,710.7	308,895.1	320,816.5
Foreign markets	198,177.4	231,235.7	174,734.8	31,774.3	39,984.4	60,756.9	64,557.6	38,164.8
EQUITY								
Total	692,872.0	940,623.2	1,020,289.5	213,264.8	265,922.0	210,419.3	205,836.0	167,119.5
Broker-dealers	650,094.9	875,037.7	914,649.2	193,200.2	209,737.6	194,853.2	174,181.3	117,048.0
Spanish organised markets	590,027.1	814,349.4	855,883.2	180,329.1	195,807.3	180,804.3	159,663.1	105,234.4
Other Spanish markets	2,585.4	2,828.5	3,327.8	590.4	816.3	637.2	585.6	373.4
Foreign markets	57,482.4	57,859.8	55,438.2	12,280.7	13,114.0	13,411.7	13,932.6	11,440.2
Brokers	42,777.1	65,585.5	105,640.3	20,064.6	56,184.4	15,566.1	31,654.7	50,071.4
Spanish organised markets	14,677.2	16,726.7	14,207.3	3,349.1	3,076.7	3,001.3	2,227.3	3,778.5
Other Spanish markets	9,140.4	14,009.1	13,769.0	2,973.6	6,466.2	846.9	1,632.6	2,431.0
Foreign markets	18,959.5	34,849.7	77,664.0	13,741.9	46,641.5	11,717.9	27,794.8	43,861.9

1 Period accumulated data.

Intermediation of derivative transactions[1, 2]

TABLE 2.4

Million euro	2013	2014	2015	2015 III	IV	2016 I	II	III
Total	6,316,221.8	10,095,572.3	12,104,474.3	3,222,631.2	3,064,485.0	3,087,332.5	2,849,764.2	2,347,754.9
Broker-dealers	6,110,753.4	9,918,555.0	11,958,716.2	3,182,974.2	3,019,750.2	3,025,120.2	2,756,706.2	2,271,808.1
Spanish organised markets	2,410,367.9	4,625,999.8	6,215,223.3	1,659,817.4	1,521,172.3	1,474,859.7	1,244,231.7	1,026,111.9
Foreign organised markets	3,423,638.5	4,913,770.3	5,386,722.4	1,432,185.7	1,351,399.3	1,360,289.3	1,342,718.7	1,109,120.9
Non-organised markets	276,747.0	378,784.9	356,770.5	90,971.1	147,178.6	189,971.2	169,755.8	136,575.3
Brokers	205,468.4	177,017.3	145,758.1	39,657.0	44,734.8	62,212.3	93,058.0	75,946.8
Spanish organised markets	4,668.8	6,881.8	7,510.9	2,115.4	2,842.0	5,151.0	6,112.1	5,370.4
Foreign organised markets	29,584.9	37,016.8	27,846.8	7,148.0	10,481.3	12,857.3	14,621.2	15,957.8
Non-organised markets	171,214.7	133,118.7	110,400.4	30,393.6	31,411.5	44,204.0	72,324.7	54,618.6

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

				2015		2016		
	2013	2014	2015	III	IV	I	II	III
NO. OF PORTFOLIOS								
Total[2]	11,380	13,483	13,713	14,896	13,713	11,539	11,779	12,202
Broker-dealers. Total	4,001	4,741	5,711	5,168	5,711	5,740	5,752	5,939
CIS[3]	59	63	60	65	60	37	36	32
Other[4]	3,942	4,678	5,651	5,103	5,651	5,703	5,716	5,907
Brokers. Total	3,699	4,484	5,681	5,534	5,681	5,799	6,027	6,263
CIS[3]	57	63	95	70	95	89	95	96
Other[4]	3,642	4,421	5,586	5,464	5,586	5,710	5,932	6,167
Portfolio management companies. Total	3,680	4,258	2,321	4,194	2,321	–	–	–
CIS[3]	12	5	1	1	1	–	–	–
Other[4]	3,668	4,253	2,320	4,193	2,320	–	–	–
ASSETS UNDER MANAGEMENT (thousand euro)								
Total[2]	10,692,140	11,661,203	9,201,678	12,092,946	9,201,678	8,343,822	7,593,204	7,867,532
Broker-dealers. Total	4,171,331	4,905,630	5,406,804	5,039,779	5,406,804	6,018,420	5,301,602	5,514,721
CIS[3]	1,160,986	1,371,924	1,546,293	1,466,505	1,546,293	1,075,230	1,014,015	1,006,790
Other[4]	3,010,345	3,533,706	3,860,511	3,573,274	3,860,511	4,943,190	4,287,587	4,507,931
Brokers. Total	2,284,773	1,935,646	2,565,132	2,230,847	2,565,132	2,325,402	2,291,602	2,352,811
CIS[3]	610,839	846,244	1,448,260	1,155,605	1,448,260	1,232,516	1,221,232	1,283,213
Other[4]	1,673,934	1,089,403	1,116,872	1,075,242	1,116,872	1,092,886	1,070,370	1,069,598
Portfolio management companies. Total	4,236,036	4,819,927	1,229,742	4,822,320	1,229,742	–	–	–
CIS[3]	195,735	118,847	15,729	15,322	15,729	–	–	–
Other[4]	4,040,301	4,701,080	1,214,013	4,806,998	1,214,013	–	–	–

1 Data at the end of period.
2 Portfolio management companies information is not shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
3 Includes both resident and non-resident CIS management.
4 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[1, 2]

TABLE 2.6

				2015		2016		
Million euro	2013	2014	2015	III	IV	I	II	III
NUMBER OF CONTRACTS								
Total[3]	11,730	12,761	14,569	13,562	14,569	13,015	13,587	14,072
Broker-dealers. Total[4]	3,074	3,437	1,183	1,202	1,183	1,192	1,160	1,198
Retail clients	3,041	3,409	1,159	1,177	1,159	1,164	1,130	1,161
Professional clients	10	11	11	11	11	15	15	22
Brokers. Total[4]	6,919	7,511	11,456	10,507	11,456	11,823	12,427	12,874
Retail clients	6,617	7,322	11,247	10,298	11,247	11,639	12,269	12,713
Professional clients	279	169	176	177	176	148	124	133
Portfolio management companies[3]. Total[4]	1,737	1,813	1,930	1,853	1,930	–	–	–
Retail clients	1,732	1,805	1,928	1,852	1,928	–	–	–
Professional clients	5	8	2	1	2	–	–	–

1 Data at the end of period.
2 Quarterly data on assets advised are not available since the entry into force of CNMV Circular 3/2014, of 22 October.
3 Portfolio management companies information is not shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
4 Includes retail, professional and other clients.

Aggregated income statement. Broker-dealers

TABLE 2.7

Thousand euro[1]	2013	2014	2015	2015 III	2015 IV	2016 I	2016 II	2016 III
I. Interest income	67,333	74,177	55,570	39,104	55,570	7,216	38,447	49,275
II. Net commission	387,216	445,317	422,542	326,720	422,542	91,676	191,507	280,710
Commission revenues	565,787	633,263	614,705	474,430	614,705	137,511	278,225	407,854
Brokering	347,522	342,462	322,857	249,783	322,857	65,205	128,808	184,438
Placement and underwriting	4,824	21,414	11,556	10,659	11,556	629	3,346	5,198
Securities deposit and recording	17,987	22,347	24,358	18,355	24,358	12,323	23,559	34,873
Portfolio management	15,581	21,046	22,541	16,133	22,541	5,453	10,674	16,933
Design and advising	18,597	19,502	13,575	10,324	13,575	4,414	7,580	10,554
Stocks search and placement	8,659	4,367	1,497	1,420	1,497	80	1,385	1,641
Market credit transactions	22	0	0	0	0	0	0	0
CIS marketing	51,766	62,948	73,889	54,906	73,889	18,307	36,698	55,758
Other	100,829	139,177	144,432	112,848	144,432	31,101	66,174	98,459
Commission expenses	178,571	187,946	192,163	147,710	192,163	45,835	86,718	127,144
III. Financial investment income	256,110	222,077	215,861	186,154	215,861	21,838	90,667	84,290
IV. Net exchange differences and other operating products and expenses	-138,467	-96,425	-128,200	-117,105	-128,200	3,793	-32,389	-19,553
V. Gross income	572,192	645,146	565,773	434,873	565,773	124,523	288,232	394,722
VI. Operating income	185,040	265,509	186,771	151,869	186,771	37,138	101,954	120,083
VII. Earnings from continuous activities	140,805	192,467	141,291	128,364	141,291	40,695	101,475	117,959
VIII. Net earnings of the period	140,805	192,467	141,291	128,364	141,291	40,695	101,475	117,959

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

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousand euro[1]	2013	2014	2015	2015 III	2015 IV	2016 I	2016 II	2016 III
TOTAL								
Total	192,753	200,010	137,327	108,105	137,327	32,932	93,809	108,543
Money market assets and public debt	17,163	12,342	9,327	7,259	9,327	2,397	4,802	6,422
Other fixed-income securities	55,096	31,631	24,795	21,497	24,795	9,674	18,170	25,572
Domestic portfolio	42,328	23,038	8,990	9,417	8,990	5,155	8,977	13,764
Foreign portfolio	12,768	8,593	15,805	12,080	15,805	4,519	9,193	11,808
Equities	17,869	800,035	112,943	52,417	112,943	-116,403	4,852	133,877
Domestic portfolio	44,517	112,635	18,141	12,172	18,141	-598	8,781	10,238
Foreign portfolio	-26,648	687,400	94,802	40,245	94,802	-115,805	-3,929	123,639
Derivatives	207,347	-565,800	109,668	135,442	109,668	131,289	72,260	-56,862
Repurchase agreements	1,378	345	-248	-165	-248	-99	-244	-361
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial intermediaries	3,405	1,205	1,605	895	1,605	-571	-1,660	-1,824
Net exchange differences	-149,034	-110,807	-142,545	-127,967	-142,545	-2,440	-40,352	-29,944
Other operating products and expenses	10,565	14,384	14,344	10,862	14,344	6,232	7,964	10,390
Other transactions	28,964	16,675	7,438	7,865	7,438	2,853	28,017	21,273
INTEREST INCOME								
Total	67,333	74,177	55,570	39,103	55,570	7,216	38,446	49,273
Money market assets and public debt	4,356	2,123	2,156	1,056	2,156	389	817	1,276
Other fixed-income securities	4,572	3,371	2,731	2,083	2,731	580	974	1,271
Domestic portfolio	3,149	2,147	1,534	1,188	1,534	320	509	550
Foreign portfolio	1,423	1,224	1,197	895	1,197	260	465	721
Equities	40,163	63,460	43,826	33,847	43,826	8,213	13,998	23,146
Domestic portfolio	14,672	28,679	3,622	2,557	3,622	102	1,756	2,397
Foreign portfolio	25,491	34,781	40,204	31,290	40,204	8,111	12,242	20,749
Repurchase agreements	1,378	345	-248	-165	-248	-99	-244	-361
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial intermediaries	3,405	1,205	1,605	895	1,605	-571	-1,660	-1,824
Other transactions	13,459	3,673	5,500	1,387	5,500	-1,296	24,561	25,765
FINANCIAL INVEST INCOME								
Total	256,109	222,077	215,861	186,154	215,861	21,838	90,668	84,287
Money market assets and public debt	12,807	10,219	7,171	6,203	7,171	2,008	3,985	5,146
Other fixed-income securities	50,524	28,260	22,064	19,414	22,064	9,094	17,196	24,301
Domestic portfolio	39,179	20,891	7,456	8,229	7,456	4,835	8,468	13,214
Foreign portfolio	11,345	7,369	14,608	11,185	14,608	4,259	8,728	11,087
Equities	-22,294	736,575	69,117	18,570	69,117	-124,616	-9,146	110,731
Domestic portfolio	29,845	83,956	14,519	9,615	14,519	-700	7,025	7,841
Foreign portfolio	-52,139	652,619	54,598	8,955	54,598	-123,916	-16,171	102,890
Derivatives	207,347	-565,800	109,668	135,442	109,668	131,289	72,260	-56,862
Other transactions	7,725	12,823	7,841	6,525	7,841	4,063	6,373	971
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	-130,689	-96,244	-134,104	-117,152	-134,104	3,878	-35,305	-25,017
Net exchange differences	-149,034	-110,807	-142,545	-127,967	-142,545	-2,440	-40,352	-29,944
Other operating products and expenses	10,565	14,384	14,344	10,862	14,344	6,232	7,964	10,390
Other transactions	7,780	179	-5,903	-47	-5,903	86	-2,917	-5,463

1 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

TABLE 2.9

Thousand euro[1]	2013	2014	2015	2015 III	2015 IV	2016 I	2016 II	2016 III
I. Interest income	1,799	1,119	884	633	884	159	392	614
II. Net commission	110,422	120,634	113,904	83,955	113,904	24,770	51,128	78,389
Commission revenues	130,738	147,137	135,320	99,357	135,320	29,949	61,487	94,142
Brokering	40,196	41,745	31,845	25,069	31,845	6,404	13,647	18,617
Placement and underwriting	4,715	8,129	3,829	2,296	3,829	229	520	1,692
Securities deposit and recording	505	567	521	361	521	147	296	449
Portfolio management	16,267	15,062	10,711	7,362	10,711	2,844	5,258	8,188
Design and advising	5,894	7,576	7,856	5,390	7,856	1,857	3,595	6,140
Stocks search and placement	55	0	216	186	216	18	40	40
Market credit transactions	11	0	0	0	0	0	0	0
CIS marketing	35,823	46,565	53,169	39,519	53,169	12,457	24,561	37,047
Other	27,272	27,493	27,173	19,174	27,173	5,993	13,571	21,970
Commission expenses	20,316	26,503	21,416	15,402	21,416	5,179	10,359	15,753
III. Financial investment income	5	775	592	319	592	-94	-133	176
IV. Net exchange differences and other operating products and expenses	-1,633	1,102	1,197	1,236	1,197	-421	-749	-1,067
V. Gross income	110,593	123,626	116,577	86,143	116,577	24,414	50,638	78,112
VI. Operating income	18,422	24,366	22,148	19,100	22,148	1,702	4,558	9,582
VII. Earnings from continuous activities	14,321	19,922	17,266	18,113	17,266	1,488	3,675	8,178
VIII. Net earnings of the period	14,321	19,922	17,266	18,113	17,266	1,488	3,675	8,178

1 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. Portfolio management companies[1, 2]

TABLE 2.10

Thousand euro	2013	2014	2015	2015 III	2015 IV	2016 I	2016 II	2016 III
I. Interest income	667	574	399	325	399	–	–	–
II. Net commission	9,362	11,104	8,526	7,362	8,526	–	–	–
Commission revenues	18,603	15,411	13,064	10,982	13,064	–	–	–
Portfolio management	17,028	13,572	11,150	8,902	11,150	–	–	–
Design and advising	1,575	849	371	370	371	–	–	–
CIS marketing	0	0	0	0	0	–	–	–
Other	0	990	1,544	1,709	1,544	–	–	–
Commission expenses	9,241	4,307	4,538	3,620	4,538	–	–	–
III. Financial investment income	9	-6	-28	-25	-28	–	–	–
IV. Net exchange differences and other operating products and expenses	-32	-237	-234	-267	-234	–	–	–
V. Gross income	10,006	11,435	8,663	7,392	8,663	–	–	–
VI. Operating income	3,554	5,860	3,331	3,213	3,331	–	–	–
VII. Earnings from continuous activities	2,472	4,135	2,335	2,254	2,335	–	–	–
VIII. Net earnings of the period	2,472	4,135	2,335	2,254	2,335	–	–	–

1 Portfolio management companies information is not shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
2 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.

Capital adequacy and capital ratio[1, 2]

TABLE 2.11

	2013	2014	2015	2015 III	IV	2016 I	II	III[3]
TOTAL[4]								
Total capital ratio[5]	–	40.27	44.36	45.53	44.36	40.58	40.12	50.84
Own funds surplus (thousand euro)	1,033,669	1,056,285	1,109,837	1,158,626	1,109,837	1,080,658	1,124,389	1,147,945
Surplus (%)[6]	322.58	403.43	454.50	469.13	454.50	407.25	401.44	535.50
Number of companies according to its surplus percentage								
≤ 100%	34	16	14	10	14	16	12	12
> 100-≤ 300%	22	24	22	25	22	21	25	25
> 300-≤ 500%	17	12	13	14	13	13	15	14
> 500%	14	21	21	22	21	17	16	19
BROKER-DEALERS								
Total capital ratio[5]	–	40.84	46.13	46.41	46.13	41.84	41.28	53.60
Own funds surplus (thousand euro)	960,624	981,613	1,055,636	1,077,568	1,055,636	1,033,495	1,077,548	1,102,318
Surplus (%)[6]	367.43	410.56	476.59	480.09	476.59	422.94	415.94	569.99
Number of companies according to its surplus percentage								
≤ 100%	9	5	4	3	4	8	5	5
> 100-≤ 300%	11	14	12	11	12	9	12	11
> 300-≤ 500%	13	6	8	9	8	9	11	10
> 500%	8	14	14	15	14	12	12	15
BROKERS								
Total capital ratio[5]	–	24.30	25.58	26.06	25.58	25.97	25.82	25.40
Own funds surplus (thousand euro)	62,199	42,106	48,197	47,091	48,197	47,163	46,841	45,627
Surplus (%)[6]	164.46	203.80	219.78	225.71	219.78	224.66	222.79	217.51
Number of companies according to its surplus percentage								
≤ 100%	22	11	10	7	10	8	7	7
> 100-≤ 300%	10	8	9	12	9	12	13	14
> 300-≤ 500%	3	6	5	5	5	4	4	4
> 500%	6	4	6	5	6	5	4	4
PORTFOLIO MANAGEMENT COMPANIES[4]								
Total capital ratio[5]	–	133.69	71.26	171.65	71.26	–	–	–
Own funds surplus (thousand euro)	10,846	32,566	6,004	33,967	6,004	–	–	–
Surplus (%)[6]	51.21	1,571.12	791.04	2,045.58	791.04	–	–	–
Number of companies according to its surplus percentage								
≤ 100%	3	0	0	0	0	–	–	–
> 100-≤ 300%	1	2	1	2	1	–	–	–
> 300-≤ 500%	1	0	0	0	0	–	–	–
> 500%	0	3	1	2	1	–	–	–

1 On 1 January 2014 entered into force Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms, which has changed the own funds requirements calculation.
2 Since January 2014 only the entities subject to reporting requirements are included, according to CNMV Circular 2/2014, of 23 June, on the exercise of various regulatory options regarding solvency requirements for investment firms and their consolidated groups.
3 Provisional data.
4 Portfolio management companies information is not shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
5 Total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount. This ratio should not be under 8%.
6 Average surplus 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]

TABLE 2.12

	2013	2014	2015	2015 III	IV	2016 I	II	III
TOTAL[2]								
Average (%)[3]	16.49	22.83	15.34	16.20	15.34	12.69	15.84	12.96
No. of companies according to its annualized return								
Losses	13	11	21	19	21	27	22	29
0-≤ 15%	37	30	23	24	23	26	31	24
> 15-≤ 45%	22	23	22	21	22	12	10	14
> 45-≤ 75%	9	11	5	5	5	3	4	5
> 75%	6	8	9	12	9	8	10	10
BROKER-DEALERS								
Average (%)[3]	16.39	23.04	14.85	15.50	14.85	13.16	16.27	12.90
Number of companies according to its annualized return								
Losses	5	4	9	7	9	11	11	15
0-≤ 15%	15	18	14	13	14	16	16	14
> 15-≤ 45%	16	11	10	13	10	7	6	7
> 45-≤ 75%	4	5	4	1	4	1	3	3
> 75%	1	2	2	4	2	3	4	3
BROKERS								
Average (%)[3]	19.34	22.18	21.52	27.87	21.52	6.30	9.60	13.86
Number of companies according to its annualized return								
Losses	8	7	12	11	12	16	11	14
0-≤ 15%	18	11	8	9	8	10	15	10
> 15-≤ 45%	5	8	11	8	11	5	4	7
>45-≤75%	5	6	1	3	1	2	1	2
> 75%	5	6	7	8	7	5	6	7
PORTFOLIO MANAGEMENT COMPANIES[2]								
Average (%)[3]	11.41	16.95	24.49	11.67	24.49	–	–	–
Number of companies according to its annualized return								
Losses	0	0	0	1	0	–	–	–
0-≤ 15%	4	1	1	2	1	–	–	–
> 15-≤ 45%	1	4	1	0	1	–	–	–
> 45-≤ 75%	0	0	0	1	0	–	–	–
> 75%	0	0	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 Portfolio management companies information is not shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.

3 Average weighted by equity, %.

Financial advisory firms. Main figures[1]

TABLE 2.13

Thousand euro	2013	2014	2015	2014 I	II	2015 I	II
ASSETS ADVISED[2]							
Total	17,630,081	21,391,510	25,407,907	14,456,415	21,391,510	–	25,407,907
Retail clients	4,991,653	5,719,292	6,819,150	5,488,399	5,719,292	–	6,819,150
Professional	3,947,782	4,828,459	5,109,720	4,465,564	4,828,459	–	5,109,720
Other	8,690,646	10,843,759	13,479,037	4,502,452	10,843,759	–	13,479,037
COMMISSION INCOME[3]							
Total	33,272	47,767	56,783	21,513	47,767	–	56,783
Commission revenues	33,066	47,188	55,781	21,071	47,188	–	55,781
Other income	206	579	1,002	442	579	–	1,002
EQUITY							
Total	21,498	26,538	25,110	22,915	26,538	–	25,110
Share capital	5,156	5,576	5,891	5,230	5,576	–	5,891
Reserves and retained earnings	9,453	8,993	7,585	9,899	8,993	–	7,585
Income for the year[3]	6,890	11,969	11,525	7,787	11,969	–	11,525

1 Annual frequency since 2015 (CNMV Circular 3/2014, of 22 October).

2 Data at the end of each period.

3 Accumulated data from the beginning of the year to the last day of every semester.

3 Collective investment schemes (CIS)[a]

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

TABLE 3.1

				2015	2016			
	2013	2014	2015	IV	I	II	III	IV[1]
Total financial CIS	5,129	5,232	5,180	5,180	5,163	5,135	5,108	5,077
Mutual funds	2,043	1,949	1,760	1,760	1,748	1,742	1,750	1,742
Investment companies	3,035	3,228	3,372	3,372	3,367	3,344	3,308	3,285
Funds of hedge funds	22	18	11	11	11	10	10	10
Hedge funds	29	37	37	37	37	39	40	40
Total real estate CIS	16	11	9	9	9	9	9	9
Real estate mutual funds	6	4	3	3	3	3	3	3
Real estate investment companies	10	7	6	6	6	6	6	6
Total foreign CIS marketed in Spain	782	805	880	880	904	909	927	939
Foreign funds marketed in Spain	409	405	425	425	428	433	437	441
Foreign companies marketed in Spain	373	400	455	455	476	476	490	498
Management companies	96	96	96	96	100	101	101	101
CIS depositories	77	70	65	65	62	60	59	59

1 Available data: October 2016.

Number of CIS investors and shareholders[1]

TABLE 3.2

				2015		2016		
	2013	2014	2015	III	IV	I	II	III[2]
Total financial CIS	5,463,820	6,859,555	8,164,054	7,971,499	8,164,054	8,185,269	8,291,387	8,498,932
Mutual funds	5,050,556	6,409,344	7,680,124	7,502,559	7,680,124	7,697,093	7,794,859	8,017,629
Investment companies	413,264	450,211	483,930	468,940	483,930	488,176	491,296	481,303
Total real estate CIS	6,773	4,866	4,501	4,495	4,501	4,510	4,587	4,136
Real estate mutual funds	5,750	4,021	3,918	3,912	3,918	3,928	3,929	3,935
Real estate investment companies	1,023	845	583	583	583	582	658	682
Total foreign CIS marketed in Spain[3]	1,067,708	1,317,674	1,643,776	1,520,804	1,643,776	1,645,699	1,670,136	1,724,220
Foreign funds marketed in Spain	204,067	230,104	298,733	279,236	298,733	325,003	339,328	354,032
Foreign companies marketed in Spain	863,641	1,087,570	1,345,043	1,241,568	1,345,043	1,320,696	1,330,808	1,370,188

1 Investors and shareholders who invest in many sub-funds from the same CIS have been taking into account once. For this reason, investors and shareholders can be different from those in tables 3.6 and 3.7.
2 Provisional data.
3 Exchange traded funds (ETFs) data is not included.

CIS total net assets

TABLE 3.3

				2015		2016		
Million euro	2013	2014	2015	III	IV	I	II	III[1]
Total financial CIS	184,300.9	230,205.7	255,677.0	251,566.9	255,677.0	250,634.5	252,165.5	261,437.0
Mutual funds[2]	156,680.1	198,718.8	222,144.6	218,773.8	222,144.6	218,339.2	220,296.0	229,117.4
Investment companies	27,620.8	31,486.9	33,532.4	32,793.1	33,532.4	32,295.3	31,869.5	32,319.6
Total real estate CIS	4,536.2	1,226.3	1,093.1	1,140.9	1,093.1	1,117.8	1,106.4	1,091.2
Real estate mutual funds	3,682.6	419.8	391.0	420.3	391.0	390.2	383.9	376.9
Real estate investment companies	853.7	806.5	702.1	720.5	702.1	727.5	722.5	714.3
Total foreign CIS marketed in Spain[3]	54,727.2	78,904.3	108,091.6	85,462.1	108,091.6	107,329.1	107,989.0	112,467.8
Foreign funds marketed in Spain	8,523.2	11,166.0	15,305.1	12,225.2	15,305.1	16,372.7	17,489.5	19,495.4
Foreign companies marketed in Spain	46,204.0	67,738.3	92,786.5	73,236.9	92,786.5	90,956.4	90,499.5	92,972.4

1 Provisional data.
2 Mutual funds investment in financial mutual funds of the same management company reached 5.1 billion euro in June and 5.2 billion euro in September.
3 Exchange traded funds (ETFs) data is not included.

a All information about mutual funds and investment companies comprised in this section do not include hedge funds and funds of hedge funds. The information about hedge funds and funds of hedge funds is included in Table 3.12.

Mutual funds asset allocation

TABLE 3.4

Million euro	2013	2014	2015	2015 III	IV	2016 I	II	III[1]
Asset	156,680.1	198,718.8	222,144.6	218,773.8	222,144.6	218,339.2	220,296.0	229,117.4
Portfolio investment	149,343.3	187,693.9	204,797.4	200,475.4	204,797.4	199,377.2	201,128.1	210,750.0
Domestic securities	108,312.7	114,644.5	93,833.6	96,089.1	93,833.6	92,200.6	89,770.7	93,163.0
Debt securities	79,480.4	79,694.4	58,451.3	59,171.7	58,451.3	57,983.1	57,062.9	60,689.9
Shares	5,367.4	8,448.0	8,757.5	8,560.3	8,757.5	7,787.9	7,436.6	7,834.3
Investment collective schemes	4,498.1	6,065.3	5,698.5	7,382.1	5,698.5	5,663.2	5,508.7	5,641.4
Deposits in credit institutions	18,443.7	19,927.4	20,482.9	20,590.5	20,482.9	20,559.8	19,505.5	18,712.9
Derivatives	523.0	495.4	433.7	374.1	433.7	197.2	245.9	275.8
Other	0.0	14.0	9.7	10.5	9.7	9.5	11.2	8.7
Foreign securities	41,029.5	73,048.3	110,957.0	104,384.4	110,957.0	107,171.1	111,351.6	117,579.5
Debt securities	20,312.8	38,582.2	48,542.8	47,112.2	48,542.8	47,603.5	51,101.6	54,092.7
Shares	11,034.2	13,042.9	18,654.1	17,057.5	18,654.1	17,699.4	17,874.2	18,500.2
Investment collective schemes	9,286.0	20,863.9	43,365.7	39,628.6	43,365.7	41,507.4	41,991.6	44,540.0
Deposits in credit institutions	45.6	243.3	104.1	141.3	104.1	125.0	171.6	95.7
Derivatives	350.9	310.6	285.6	439.3	285.6	231.4	208.8	347.6
Other	0.0	5.4	4.8	5.4	4.8	4.4	3.8	3.3
Doubtful assets and matured investment	1.2	1.2	6.8	1.9	6.8	5.5	5.9	7.5
Intangible assets	0.0	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	0.0
Cash	7,062.3	10,895.0	16,594.5	17,474.3	16,594.5	18,354.2	18,117.7	17,559.1
Net balance (debtors - creditors)	274.4	129.9	752.7	824.2	752.7	607.8	1,050.1	808.3

1 Provisional data.

Investment companies asset allocation

TABLE 3.5

Million euro	2013	2014	2015	2015 III	IV	2016 I	II	III[1]
Asset	27,620.8	31,486.9	33,532.4	32,793.1	33,532.4	32,295.3	31,869.5	32,319.6
Portfolio investment	26,105.6	29,080.6	30,035.2	28,923.1	30,035.2	28,549.3	27,852.8	28,450.5
Domestic securities	12,118.9	11,063.7	9,424.4	9,545.9	9,424.4	8,796.2	8,046.9	7,954.8
Debt securities	6,304.3	5,115.9	3,663.3	3,804.6	3,663.3	3,338.2	2,765.4	2,508.5
Shares	3,005.5	3,324.4	3,090.3	3,161.8	3,090.3	2,913.2	2,670.7	2,788.1
Investment collective schemes	1,134.9	1,433.0	1,418.4	1,464.0	1,418.4	1,355.6	1,411.1	1,522.6
Deposits in credit institutions	1,645.4	1,169.3	1,226.3	1,096.2	1,226.3	1,157.8	1,171.4	1,105.2
Derivatives	1.4	-10.8	-7.4	-14.0	-7.4	-3.7	-4.6	-2.7
Other	27.4	31.9	33.7	33.3	33.7	35.2	32.9	33.0
Foreign securities	13,985.1	18,015.2	20,608.1	19,375.1	20,608.1	19,748.2	19,800.4	20,490.2
Debt securities	2,613.7	3,897.1	4,472.0	4,381.2	4,472.0	4,455.6	4,600.7	4,456.5
Shares	5,085.5	6,227.7	7,025.9	6,414.7	7,025.9	6,524.8	6,317.8	6,440.9
Investment collective schemes	6,119.8	7,784.2	9,090.2	8,562.4	9,090.2	8,743.3	8,861.7	9,572.2
Deposits in credit institutions	5.5	2.3	6.2	10.3	6.2	8.9	6.5	6.9
Derivatives	152.5	94.4	8.3	0.1	8.3	9.8	7.3	6.4
Other	8.1	9.5	5.5	6.4	5.5	5.9	6.5	7.3
Doubtful assets and matured investment	1.5	1.7	2.7	2.1	2.7	4.8	5.5	5.6
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Cash	1,302.0	2,197.7	3,211.3	3,462.6	3,211.3	3,389.8	3,684.3	3,596.5
Net balance (debtors - creditors)	213.1	208.5	285.8	407.3	285.8	356.2	332.3	272.6

1 Provisional data.

Financial mutual funds: number, investors and total net assets by category[1, 2]

TABLE 3.6

	2013	2014	2015	2015 III	IV	2016 I	II	III[3]
NO. OF FUNDS								
Total financial mutual funds	2,045	1,951	1,804	1,846	1,804	1,799	1,809	1,810
Fixed-income[4]	384	359	319	350	319	309	312	308
Mixed fixed-income[5]	122	123	132	128	132	135	138	146
Mixed equity[6]	128	131	142	134	142	147	156	166
Euro equity	108	103	109	108	109	111	111	112
Foreign equity	193	191	200	195	200	201	197	201
Guaranteed fixed-income	374	280	186	202	186	171	155	135
Guaranteed equity[7]	308	273	205	215	205	204	201	196
Global funds	162	162	178	176	178	185	198	200
Passive management	169	227	213	218	213	221	222	221
Absolute return	97	102	97	97	97	92	98	104
INVESTORS								
Total financial mutual funds	5,050,719	6,409,806	7,682,947	7,505,825	7,682,947	7,699,646	7,800,091	8,022,685
Fixed-income[4]	1,508,009	1,941,567	2,203,847	2,135,489	2,203,847	2,222,005	2,274,700	2,315,533
Mixed fixed-income[5]	240,676	603,099	1,130,190	1,093,235	1,130,190	1,113,180	1,075,219	1,033,454
Mixed equity[6]	182,223	377,265	612,276	588,211	612,276	596,136	556,818	451,040
Euro equity	293,193	381,822	422,469	410,777	422,469	412,495	392,465	387,786
Foreign equity	457,606	705,055	1,041,517	988,191	1,041,517	1,052,810	1,052,225	1,138,697
Guaranteed fixed-income	1,002,458	669,448	423,409	453,383	423,409	378,017	355,577	325,955
Guaranteed equity[7]	608,051	557,030	417,843	419,718	417,843	463,423	497,543	515,563
Global funds	128,741	223,670	381,590	396,176	381,590	383,066	456,609	625,931
Passive management	441,705	686,526	554,698	574,816	554,698	557,262	609,995	681,545
Absolute return	188,057	264,324	479,182	429,512	479,182	505,442	513,724	532,151
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	156,680.1	198,718.8	222,144.6	218,773.8	222,144.6	218,339.2	220,296.0	229,117.4
Fixed-income[4]	55,058.9	70,330.9	65,583.8	66,979.3	65,583.8	67,765.4	70,308.6	73,001.3
Mixed fixed-income[5]	8,138.0	24,314.3	44,791.8	43,536.3	44,791.8	42,585.9	40,541.2	39,644.2
Mixed equity[6]	6,312.4	13,570.4	21,502.9	20,138.7	21,502.9	20,170.2	17,595.1	15,601.3
Euro equity	8,632.8	8,401.5	9,092.9	8,535.9	9,092.9	8,160.0	7,410.3	7,795.7
Foreign equity	8,849.0	12,266.4	17,143.2	15,545.7	17,143.2	16,162.8	15,424.4	16,274.4
Guaranteed fixed-income	31,481.2	20,417.0	12,375.6	13,437.4	12,375.6	10,818.8	9,854.5	9,066.1
Guaranteed equity[7]	12,503.8	12,196.4	9,966.6	9,567.6	9,966.6	11,862.3	13,277.3	14,064.6
Global funds	4,528.1	6,886.3	12,683.3	11,743.2	12,683.3	12,300.8	16,190.4	20,067.8
Passive management	16,515.9	23,837.5	17,731.1	18,636.8	17,731.1	17,403.6	18,534.2	21,872.0
Absolute return	4,659.9	6,498.1	11,228.1	10,595.6	11,228.1	11,073.7	11,134.1	11,704.0

1 Sub-funds which have sent reports to the CNMV excluding those in process of dissolution or liquidation.
2 From July 2015 on, side-pocket sub-funds data is only included in aggregate figures, but it is not included in any category.
3 Provisional data.
4 Fixed income euro, Foreign fixed-income, Monetary market funds and Short-term monetary market funds.
5 Mixed euro fixed-income and Foreign mixed fixed-income.
6 Mixed euro equity and Foreign mixed equity.
7 Guaranteed equity and Partial guarantee.

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

TABLE 3.7

	2013	2014	2015	2015 III	IV	2016 I	II	III[1]
INVESTORS								
Total financial mutual funds	5,050,719	6,409,806	7,682,947	7,505,825	7,682,947	7,699,646	7,800,091	8,022,685
Individuals	4,906,380	6,235,148	7,494,162	7,317,375	7,494,162	7,512,398	7,612,930	7,832,380
Residents	4,848,184	6,170,201	7,422,330	7,246,672	7,422,330	7,440,677	7,541,093	7,758,911
Non-residents	58,196	64,947	71,832	70,703	71,832	71,721	71,837	73,469
Legal entities	144,339	174,658	188,785	188,450	188,785	187,248	187,161	190,305
Credit institutions	521	493	532	606	532	480	483	508
Other resident institutions	143,083	173,351	187,395	187,003	187,395	185,938	185,856	188,995
Non-resident institutions	735	814	858	841	858	830	822	802
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	156,680.1	198,718.8	222,144.6	218,773.8	222,144.6	218,339.2	220,296.0	229,117.4
Individuals	125,957.2	159,423.5	181,868.0	177,186.3	181,868.0	178,669.1	180,902.2	188,220.8
Residents	124,175.3	157,135.2	179,232.4	174,631.0	179,232.4	176,070.8	178,305.7	185,467.5
Non-residents	1,781.9	2,288.3	2,635.6	2,555.3	2,635.6	2,598.2	2,596.4	2,753.2
Legal entities	30,722.9	39,295.4	40,276.6	41,587.6	40,276.6	39,670.2	39,393.8	40,896.6
Credit institutions	547.6	459.8	483.0	492.5	483.0	500.3	471.0	440.9
Other resident institutions	29,743.3	38,245.2	39,071.0	40,378.2	39,071.0	38,598.3	38,304.7	39,806.0
Non-resident institutions	431.9	590.4	722.6	716.9	722.6	571.5	618.0	649.7

1 Provisional data.

Subscriptions and redemptions of financial mutual funds by category[1, 2]

TABLE 3.8

Million euro	2013	2014	2015	2015 III	IV	2016 I	II	III[3]
SUBSCRIPTIONS								
Total financial mutual funds	91,115.7	136,161.2	159,036.2	29,322.7	33,581.4	26,772.1	27,272.4	27,729.7
Fixed-income	50,154.7	65,698.5	66,789.7	12,821.2	17,294.7	14,415.3	13,923.7	10,893.9
Mixed fixed-income	4,569.8	21,675.7	36,441.2	5,307.6	5,234.2	2,429.8	2,695.9	2,417.0
Mixed equity	3,021.8	8,991.2	13,771.0	2,434.2	2,222.3	1,038.1	816.9	807.5
Euro equity	4,082.8	6,702.0	6,719.9	1,639.6	1,301.3	999.5	931.1	583.2
Foreign equity	3,697.4	5,843.2	11,236.2	2,274.9	2,509.4	1,560.4	1,584.4	1,636.1
Guaranteed fixed-income	5,964.0	847.8	562.4	251.4	61.5	131.1	688.7	460.8
Guaranteed equity	1,937.5	3,684.6	1,993.2	428.3	1,108.2	2,370.8	2,187.2	1,389.6
Global funds	2,175.2	3,752.9	9,636.1	1,635.8	1,636.2	1,303.2	1,159.9	4,778.0
Passive management	13,627.5	15,081.3	3,350.5	894.4	807.6	969.2	2,417.1	3,647.4
Absolute return	1,885.0	3,884.4	8,363.0	1,462.2	1,406.1	1,554.4	867.4	1,116.2
REDEMPTIONS								
Total financial mutual funds	66,982.7	100,188.5	135,569.6	27,182.6	33,228.4	27,264.5	25,258.2	21,831.0
Fixed-income	36,371.6	52,205.8	72,141.1	13,745.3	18,872.3	12,336.8	12,087.6	8,493.1
Mixed fixed-income	2,510.5	5,963.7	15,273.7	3,443.5	4,268.1	4,034.2	3,258.2	3,617.0
Mixed equity	1,139.9	2,423.5	5,617.2	1,245.9	1,471.8	1,750.9	1,199.9	3,119.7
Euro equity	2,352.5	4,517.1	6,251.0	1,526.9	1,079.7	1,251.1	1,341.2	755.8
Foreign equity	2,797.2	5,311.4	7,175.7	1,544.0	1,889.6	1,884.8	1,684.0	1,398.9
Guaranteed fixed-income	10,433.2	11,301.4	7,369.8	1,478.7	884.5	1,399.3	1,653.6	1,273.9
Guaranteed equity	4,007.7	4,594.1	4,593.0	780.3	1,007.9	617.9	666.7	619.5
Global funds	1,327.8	1,570.6	3,830.8	979.7	985.0	1,381.2	1,443.1	1,240.5
Passive management	4,089.3	10,110.4	9,614.7	1,589.9	1,938.2	1,121.6	1,089.0	664.2
Absolute return	1,952.8	2,190.5	3,551.6	709.7	819.0	1,477.0	824.9	648.4

1 Estimated data.
2 From July 2015 on, side-pocket sub-funds data is only included in aggregate figures, but it is not included in any category.
3 Provisional data.

Financial mutual funds asset change by category: Net subscriptions/redemptions and return on assets[1]

TABLE 3.9

Million euro	2013	2014	2015	2015 III	IV	2016 I	II	III[2]
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	24,086.2	35,794.5	22,763.6	2,128.4	234.5	-508.8	2,007.5	5,995.8
Fixed-income	13,405.0	13,821.0	-4,816.1	-629.0	-1,657.0	2,093.1	2,387.0	2,456.3
Mixed fixed-income	2,369.7	15,689.2	20,903.0	1,552.8	837.6	-1,618.6	-2,165.9	-1,165.1
Mixed equity	2,673.3	6,842.3	8,227.3	1,150.2	877.0	-698.6	-2,573.6	-2,261.0
Euro equity	1,733.5	-338.3	467.2	112.5	221.6	-274.1	-394.1	-176.7
Foreign equity	865.9	2,715.6	4,110.2	733.0	619.8	-132.8	-664.4	246.2
Guaranteed fixed-income	-6,717.5	-11,761.5	-8,093.5	-1,309.5	-1,073.5	-1,566.5	-987.0	-813.1
Guaranteed equity	-2,689.1	-651.7	-2,396.4	-287.5	290.0	1,984.5	1,360.5	655.6
Global funds	-176.7	2,110.3	5,787.9	692.8	675.0	-75.7	3,884.7	3,574.9
Passive management	12,675.2	5,632.0	-6,274.9	-695.7	-1,130.7	-113.5	1,122.6	2,981.4
Absolute return	-53.2	1,735.6	4,802.6	750.2	587.0	-97.4	47.6	497.3
RETURN ON ASSETS								
Total financial mutual funds	8,566.5	6,260.3	680.1	-5,402.5	3,136.5	-3,290.6	-50.4	2,834.7
Fixed-income	990.0	1,451.7	69.3	8.3	261.5	88.4	156.2	236.5
Mixed fixed-income	267.6	487.2	-425.2	-836.6	418.1	-587.1	121.6	268.2
Mixed equity	459.3	415.5	-294.8	-1,068.3	487.3	-634.1	-1.5	267.2
Euro equity	1,629.1	107.0	224.2	-954.3	335.4	-658.8	-355.7	562.1
Foreign equity	1,368.1	701.7	766.6	-1,508.2	977.8	-847.6	-73.9	603.9
Guaranteed fixed-income	1,754.3	697.3	52.1	44.6	11.7	9.7	22.7	24.7
Guaranteed equity	779.8	344.5	166.6	-141.8	109.0	-88.8	54.5	131.7
Global funds	346.2	248.0	9.3	-536.7	265.2	-306.9	4.9	302.5
Passive management	861.0	1,704.8	185.5	-265.9	225.0	-208.3	8.0	365.2
Absolute return	111.1	102.7	-72.7	-142.6	45.4	-56.9	12.8	72.6

1 From July 2015 on, side-pocket sub-funds data is only included in aggregate figures, but it is not included in any category.
2 Provisional data.

Financial mutual funds return on assets. Detail by category[1]

TABLE 3.10

% of daily average total net assets	2013	2014	2015	2015 III	IV	2016 I	II	III[2]
MANAGEMENT YIELDS								
Total financial mutual funds	7.37	4.84	1.54	-2.18	1.71	-1.26	0.24	1.54
Fixed-income	2.96	3.20	0.85	0.19	0.59	0.30	0.39	0.50
Mixed fixed-income	5.20	5.16	1.06	-1.61	1.25	-1.07	0.60	0.98
Mixed equity	11.84	6.46	0.83	-4.85	2.65	-2.78	0.35	2.07
Euro equity	28.36	4.00	3.52	-9.84	4.14	-7.64	-3.89	7.81
Foreign equity	21.47	8.38	7.25	-8.81	6.26	-4.84	0.02	4.27
Guaranteed fixed-income	5.80	3.52	1.20	0.56	0.32	0.30	0.42	0.45
Guaranteed equity	7.34	4.08	2.01	-1.19	1.40	-0.61	0.63	1.17
Global funds	9.86	6.07	2.73	-4.28	2.43	-2.23	0.32	2.08
Passive management	9.84	8.80	1.17	-1.22	1.41	-1.02	0.23	1.92
Absolute return	3.61	3.11	0.85	-1.13	0.70	-0.28	0.37	0.89
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.98	0.98	1.00	0.24	0.26	0.24	0.23	0.25
Fixed-income	0.68	0.70	0.65	0.16	0.16	0.14	0.14	0.15
Mixed fixed-income	1.13	1.19	1.17	0.29	0.29	0.28	0.28	0.28
Mixed equity	1.51	1.42	1.44	0.33	0.36	0.34	0.35	0.35
Euro equity	1.85	1.80	1.78	0.39	0.45	0.43	0.43	0.44
Foreign equity	1.83	1.78	1.72	0.38	0.43	0.41	0.41	0.43
Guaranteed fixed-income	0.86	0.88	0.84	0.21	0.21	0.19	0.17	0.16
Guaranteed equity	1.25	1.20	1.04	0.26	0.24	0.20	0.18	0.17
Global funds	1.32	1.20	1.10	0.21	0.27	0.25	0.26	0.44
Passive management	0.72	0.64	0.65	0.16	0.16	0.15	0.15	0.13
Absolute return	1.13	1.07	1.00	0.23	0.25	0.24	0.24	0.25
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.08	0.08	0.08	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	0.08	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Mixed equity	0.12	0.10	0.12	0.03	0.03	0.03	0.03	0.03
Euro equity	0.09	0.12	0.12	0.03	0.03	0.03	0.03	0.03
Foreign equity	0.12	0.11	0.12	0.03	0.03	0.03	0.03	0.03
Guaranteed fixed-income	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Guaranteed equity	0.08	0.08	0.08	0.02	0.02	0.02	0.01	0.01
Global funds	0.08	0.09	0.08	0.02	0.02	0.02	0.02	0.03
Passive management	0.08	0.07	0.08	0.02	0.02	0.02	0.02	0.01
Absolute return	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02

1 From July 2015 on, side-pocket sub-funds data is only included in aggregate figures, but it is not included in any category.
2 Provisional data.

Mutual funds returns. Detail by category[1]

TABLE 3.11

In %	2013	2014	2015	2015 III	IV	2016 I	II	III[2]
Total financial mutual funds	6.50	3.67	0.89	-2.36	1.51	-1.36	-0.03	1.34
Fixed-income	2.28	2.41	0.10	-0.02	0.38	0.16	0.23	0.34
Mixed fixed-income	4.16	3.67	0.16	-1.84	0.97	-1.27	0.30	0.69
Mixed equity	10.85	4.70	0.15	-4.97	2.43	-2.84	0.00	1.75
Euro equity	28.06	2.09	3.44	-9.98	4.12	-6.99	-4.49	7.89
Foreign equity	20.30	6.61	7.84	-8.71	6.30	-4.62	-0.44	4.00
Guaranteed fixed-income	4.96	2.54	0.27	0.32	0.09	0.09	0.19	0.27
Guaranteed equity	6.15	2.64	1.07	-1.48	1.18	-0.87	0.37	0.97
Global funds	8.71	4.63	2.45	-4.38	2.33	-2.21	0.02	2.10
Passive management	8.88	7.74	0.53	-1.44	1.23	-1.13	-0.03	1.63
Absolute return	2.46	1.98	0.12	-1.31	0.45	-0.51	0.12	0.65

1 From July 2015 on, side-pocket sub-funds data is only included in aggregate figures, but it is not included in any category.
2 Provisional data.

Hedge funds and funds of hedge funds

TABLE 3.12

				2015			2016	
	2012	2013	2014	II	III	IV	I	II
HEDGE FUNDS								
Investors/shareholders	2,415	2,819	3,089	3,120	3,121	3,089	3,011	2,928
Total net assets (million euro)	1,036.7	1,369.5	1,764.8	1,704.1	1,708.4	1,764.8	1,652.2	1,690.2
Subscriptions (million euro)	401.7	574.6	596.6	249.8	151.1	51.2	44.2	123.5
Redemptions (million euro)	414.3	293.8	260.5	85.2	54.9	58.5	130.4	76.1
Net subscriptions/redemptions (million euro)	-12.6	280.8	336.1	164.6	96.2	-7.3	-86.2	47.5
Return on assets (million euro)	130.0	52.0	56.3	-45.8	-91.9	63.6	-26.4	-9.4
Returns (%)	16.48	5.30	4.83	-2.49	-5.56	3.90	-1.30	-0.50
Management yields (%)[1]	17.22	7.39	6.17	-2.58	-5.05	4.36	-0.90	-0.34
Management fee (%)[1]	2.87	2.21	2.34	0.30	0.21	0.60	0.71	0.37
Financial expenses (%)[1]	0.04	0.32	0.51	0.13	0.11	0.10	0.10	0.00
FUNDS OF HEDGE FUNDS								
Investors/shareholders	3,022	2,734	1,265	1,363	1,365	1,265	1,262	1,255
Total net assets (million euro)	350.3	345.4	319.8	345.6	338.0	319.8	306.3	290.7
Subscriptions (million euro)	4.9	7.1	8.3	3.3	0.4	3.8	0.0	0.0
Redemptions (million euro)	215.2	40.8	54.9	12.8	1.0	29.1	4.4	17.2
Net subscriptions/redemptions (million euro)	-210.3	-33.7	-46.6	-9.5	-0.6	-25.3	-4.4	-17.2
Return on assets (million euro)	20.6	28.9	21.0	-12.0	-7.0	7.2	-9.1	1.7
Returns (%)	4.39	8.48	6.16	-3.29	-1.90	2.07	-2.89	0.56
Management yields (%)[2]	5.78	9.72	6.61	-3.17	-1.86	2.45	-2.72	0.80
Management fee (%)[2]	1.28	1.07	0.48	0.22	0.21	0.23	0.21	0.19
Depository fee (%)[2]	0.08	0.08	0.04	0.02	0.02	0.02	0.01	0.01

1 % of monthly average total net assets.
2 % of daily average total net assets.

CIS management companies. Number of portfolios and assets under management[1]

TABLE 3.13

				2015		2016		
	2013	2014	2015	III	IV	I	II	III[2]
NUMBER OF PORTFOLIOS[3]								
Mutual funds	2,043	1,949	1,760	1,805	1,760	1,748	1,742	1,750
Investment companies	2,975	3,164	3,333	3,292	3,333	3,338	3,323	3,297
Funds of hedge funds	22	18	11	14	11	11	10	10
Hedge funds	29	35	37	37	37	37	39	40
Real estate mutual funds	6	4	3	3	3	3	3	3
Real estate investment companies	10	7	6	6	6	6	6	6
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	156,680.1	198,718.8	222,144.6	218,773.8	222,144.6	218,339.2	220,296.0	229,117.4
Investment companies	26,830.1	30,613.8	32,879.4	32,003.7	32,879.4	31,766.3	31,425.4	31,914.4
Funds of hedge funds	350.3	345.4	319.8	338.0	319.8	310.7	290.7	–
Hedge funds	1,036.6	1,328.0	1,764.8	1,699.2	1,764.8	1,622.7	1,690.2	–
Real estate mutual funds	3,682.6	419.8	391.0	420.3	391.0	390.2	383.9	376.9
Real estate investment companies	853.7	806.5	702.1	720.5	702.1	727.5	722.5	714.3

1 Until March 2016, 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 Provisional data.
3 Data source: Collective Investment Schemes Registers.

Foreign CIS marketed in Spain[1]

TABLE 3.14

				2015		2016		
	2013	2014	2015	III	IV	I	II	III[2]
INVESTMENT VOLUME[3] (million euro)								
Total	54,727.2	78,904.3	108,091.6	85,462.1	108,091.6	107,329.1	107,989.0	112,467.8
Mutual funds	8,523.2	11,166.0	15,305.1	12,225.2	15,305.1	16,372.7	17,489.5	19,495.4
Investment companies	46,204.0	67,738.3	92,786.5	73,236.9	92,786.5	90,956.4	90,499.5	92,972.4
INVESTORS/SHAREHOLDERS								
Total	1,067,708	1,317,674	1,643,776	1,520,804	1,643,776	1,645,699	1,670,136	1,724,220
Mutual funds	204,067	230,104	298,733	279,236	298,733	325,003	339,328	354,032
Investment companies	863,641	1,087,570	1,345,043	1,241,568	1,345,043	1,320,696	1,330,808	1,370,188
NUMBER OF SCHEMES								
Total	782	805	880	859	880	904	909	927
Mutual funds	409	405	425	421	425	428	433	437
Investment companies	373	400	455	438	455	476	476	490
COUNTRY								
Luxembourg	321	333	362	351	362	378	372	385
France	272	264	282	280	282	277	282	283
Ireland	103	117	143	136	143	152	152	156
Germany	32	33	32	32	32	32	32	32
United Kingdom	22	26	31	29	31	31	32	32
The Netherlands	2	2	2	2	2	2	2	2
Austria	24	25	23	24	23	23	22	22
Belgium	4	4	4	4	4	4	4	4
Denmark	1	1	1	1	1	1	1	1
Finland	0	0	0	0	0	4	4	4
Liechtenstein	0	0	0	0	0	0	6	6

1 Exchange traded funds (ETFs) data is not included.
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[1]

TABLE 3.15

				2015		2016		
	2013	2014	2015	III	IV	I	II	III[2]
REAL ESTATE MUTUAL FUNDS								
Number	6	3	3	3	3	3	3	3
Investors	5,750	4,021	3,918	3,912	3,918	3,928	3,929	3,935
Asset (million euro)	3,682.6	419.8	391.0	420.3	391.0	390.2	383.9	376.9
Return on assets (%)	-11.28	-5.87	-6.66	0.19	-6.96	-0.21	-1.61	-1.82
REAL ESTATE INVESTMENT COMPANIES								
Number	10	7	6	6	6	6	6	6
Shareholders	1,023	845	583	583	583	582	658	682
Asset (million euro)	853.7	806.5	702.1	720.5	702.1	727.5	722.5	714.3

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Provisional data.