Comisión Nacional del Mercado de Valores

CNMV BULLETIN
April 2017

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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)
EEA	European Economic Area
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 outcome of the US elections and resurgent inflation have largely set the tone for global macroeconomic and financial developments in recent months. The new US administration is expected to significantly impact the country's economic policy, foreseeably pushing it towards greater protectionism, looser fiscal policy and higher interest rates. In fact, the Federal Reserve has raised rates twice since the last issue of this report, and two more hikes seem likely to follow before the year is out. The ECB, meantime, has kept its monetary policy on a fixed course, on the grounds that the recent inflation uptick owes to transitory factors, while committing to the upkeep of its purchase programme.

- Long-term bond yields were quick to pick up on this changed macro-financial landscape with rises lasting through the opening months of 2017. The climb was steepest in the United States, where ten-year treasury yields jumped by almost 70 bp to 2.5% between November and mid-March[1]. Equity markets, meantime, kept up the bull run initiated in the latter half of 2016 after shaking off post-Brexit losses. Index gains ran from 2.5% to 6.7% in Europe, and from 6% to 9.6% in the United States, bolstered in the latter case by the administration's new policies. It seems likely that markets have profited from a sentiment of greater growth solidity despite the persistence of uncertainty factors: some political, potentially threatening episodes of market turmoil, and others related, for instance, to the challenges facing Europe's banks.

- In Spain, the latest activity figures confirm that growth last year was 3.2%, significantly ahead of the rest of the euro area, accompanied by a 3% increase in employment. This allowed further inroads into the jobless rate, which closed at 18.6% of the active population against the 22.1% average of 2015. As in other advanced economies, headline inflation has been accelerating of late under the pull effect of energy prices, while core rates have held below 1%. This upturn promises to be transitory, and should unwind as the months advance, albeit with rates moving consistently ahead of the levels of 2015.

- Banks are still struggling to grow their net interest income in a context of ultra-low rates compounded by mounting competition from shadow banking and fintech operators. In Spain, robust domestic activity has provided a buffer to the sector, lessening the damage from asset impairment while bringing

1 The closing date for this report is 15 March.

down NPL ratios. Also, the efficiency and rationalisation drives under way at most entities will deliver future advances in profitability.

- Non-financial listed companies posted combined 2016 profits of 17.08 billion euros, 3.5 less than in 2015. The decline was almost solely due to heavy losses at one retail and service sector operator (Abengoa), without which aggregate earnings would have climbed 30% on the continued vigour of domestic activity[2].

- The stress indicator for Spanish financial markets held below 0.30 in the year's first months, a low-key reading that contrasts with the uncertainty-driven spikes of 2016. Levels were highest in the bond market, reflecting the heightened volatility and thinner liquidity that has prevailed in these past months.

- The rally in Spanish equity prices of last year's closing months allowed them to recoup most of their earlier losses and close with a restrained fall of 2%. This positive run has lasted into the first quarter of 2017, when a strengthening economy and corporate earnings growth helped lift the Ibex 35 by 6.7%, outperforming other European indices. The advance took in most sectors, with small cap firms faring particularly well (up 10.8%) on their close tie-in with the domestic business cycle. Although overall trading in Spanish shares sank further in the first quarter (-19% year on year), it seems a turning point has been reached, with the first two IPOs launched since the second quarter of 2016, and others in the pipeline.

- Spanish fixed-income markets, like most of their peers, closed last year with a jump in yields reflecting both the shift in US monetary policy and the prospect that the ECB will shortly transition to a new stance, tapering its monetary stimulus as inflation settles at higher levels. Although the advance in yields has slowed year to date, it has been accompanied by an uptick in the sovereign risk premium reflecting political uncertainty in Europe. Domestic debt issuance, meantime, faltered in the first quarter with asset-backed securities and covered instruments leading the decline. The exception were bonds, whose issuance spurt (in terms of both CNMV-registered and foreign volumes) was partly due to issuer expectations of a run-up in debt financing costs.

- Assets under management in mutual funds climbed 7.1% to 237.86 billion euros in full-year 2016, prolonging the expansion begun in 2013. The pace of advance was, however, slower than in earlier years, due to a spate of redemptions in the uncertain climate of the opening months that was offset as the year progressed. Uncertainty was likewise behind investors' growing preference for products perceived as carrying less risk. Foreign UCITS marketed in Spain also grew their assets in the year; by 6.4% to 114.99 billion euros or around 30% of the sum of assets marketed in Spain. Industry growth failed

2 Sector debt levels barely varied, facilitating a small drop in leverage from 1.15 in 2015 to 1.11 in 2016.

to translate as an increase in fund manager earnings, due to the cut taken in average management fees.

- Investment firms registered with the CNMV had another tough year characterised by renewed downward pressure on trading fees, their main source of income. The result was a 10.8% slump in sector pre-tax profits to 195.2 million euros, though the number of loss-making firms and the scale of their losses were lower than in 2015. Investment advisory business continued to expand, with assets under advice up by 11% to 28.2 billion euros. Investment firm solvency, finally, remained within acceptable bounds.

- This report includes four monographic exhibits:

  – The first summarises the main findings of the latest Survey of Household Finances (Encuesta Financiera de las Familias, EFF), with particular attention to the mix of financial assets held by households. Results are also compared with those of the cross-Europe Household Finances and Consumption Survey (HFCS).

  – The second expands on the content of the CNMV's end-February communication on the requirement for firms to exchange collateral in respect of OTC derivative products, which came into force on 1 March this year.

  – Exhibit three presents the results of the latest evaluation conducted in the frame of the Financial Education Plan, a joint initiative of Banco de España and CNMV implemented since 2008 among pupils in the third year of compulsory secondary education.

  – Finally, our fourth exhibit describes the steps taken by the CNMV to strengthen the protection of Spanish retail investors acquiring CFDs, forex products or binary options.

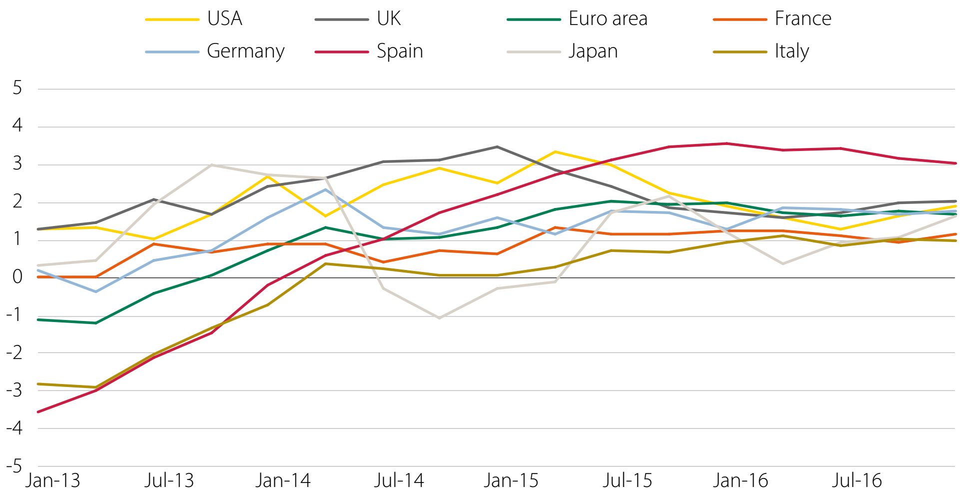
2 Macro-financial background

2.1 International economic and financial developments

The global economy grew by 3.1% in 2016, just a little short of the 2015 rate (3.2%), on a combination of 1.6% growth for the advanced economies and 4.1% across the emerging market group. In the United States and United Kingdom, activity picked up pace after a weak first half to close with full-year rates of 1.6% and 1.8% respectively. In the euro area, GDP growth of 1.7% drew on a mixed set of outcomes, with Germany (1.8%) and, above all, Spain (3.2%) advancing strongly against the more restrained pace of France and Italy (1.1% and 1% respectively). Among the emerging market economies, growth was led by Asia (6.3%), with China (6.7%) and India (6.6%) to the fore. Latin America, finally, saw GDP contract 0.7% due to the still beleaguered Brazilian economy (-3.5%).

Global output climbs by 3.1% in 2016 (3.2% in 2015), with emerging market economies contributing a notable 4.1%.

Annual % change in GDP (%) FIGURE 1



Source: Thomson Datastream.

Monetary policies hold to a divergent course in the US and euro area. The ECB sticks to its accommodative stance…

Monetary policies in the euro area and United States pursued their divergent paths. The ECB stuck with its accommodative stance on the grounds that the recent inflation upturn was a product of transitory factors, with no clear sign of core rates trending higher. The bank opted consequently to keep its main refinancing rate and its deposit and lending facility rates at 0%, -0.4% and 0.25% respectively, and pledged to press on with its asset purchase programme, specifying monthly volumes of 60 billion euros from April to December 2017, or longer if warranted.

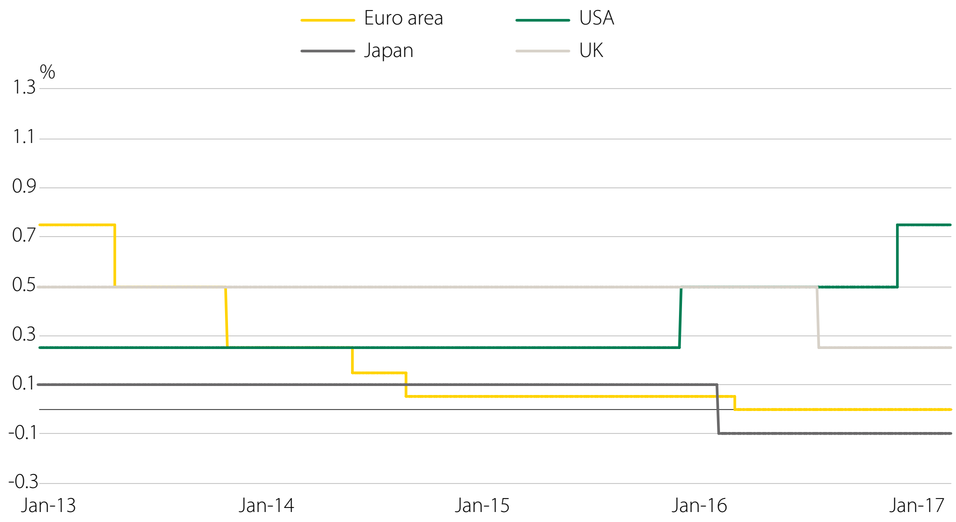
… while the Fed raises official rates to the range of 0.75%-1%.

In the US, conversely, the Federal Reserve followed its December 2016 hike with a new rise in March to the range of 0.75%-1%. The Fed based its decision on the better labour market figures coming through and the ongoing expansion of economic activity, despite some deceleration. This monetary policy, it judged, would help steer inflation toward its mid-term target of 2%, while economic developments should prove supportive of a gradual rates upcycle, with the timing of hikes dependent on the strength of activity and advances in employment and prices.

No change in the monetary stance of either the Bank of England or the Bank of Japan.

The Bank of England left its rates unchanged after last August's cut to 25 bp while maintaining its bond-buying programme, and is ready to cope with what it expects will be a temporary inflation overshoot due to sterling pound depreciation. The Bank of Japan, finally, has decided to press on with its ultra-expansionary monetary policy, and will continue to raise the monetary base until inflation is anchored above its 2% target and the yield curve is under tight control.

Official interest rates FIGURE 2



Source: Thomson Datastream. Data to 15 March

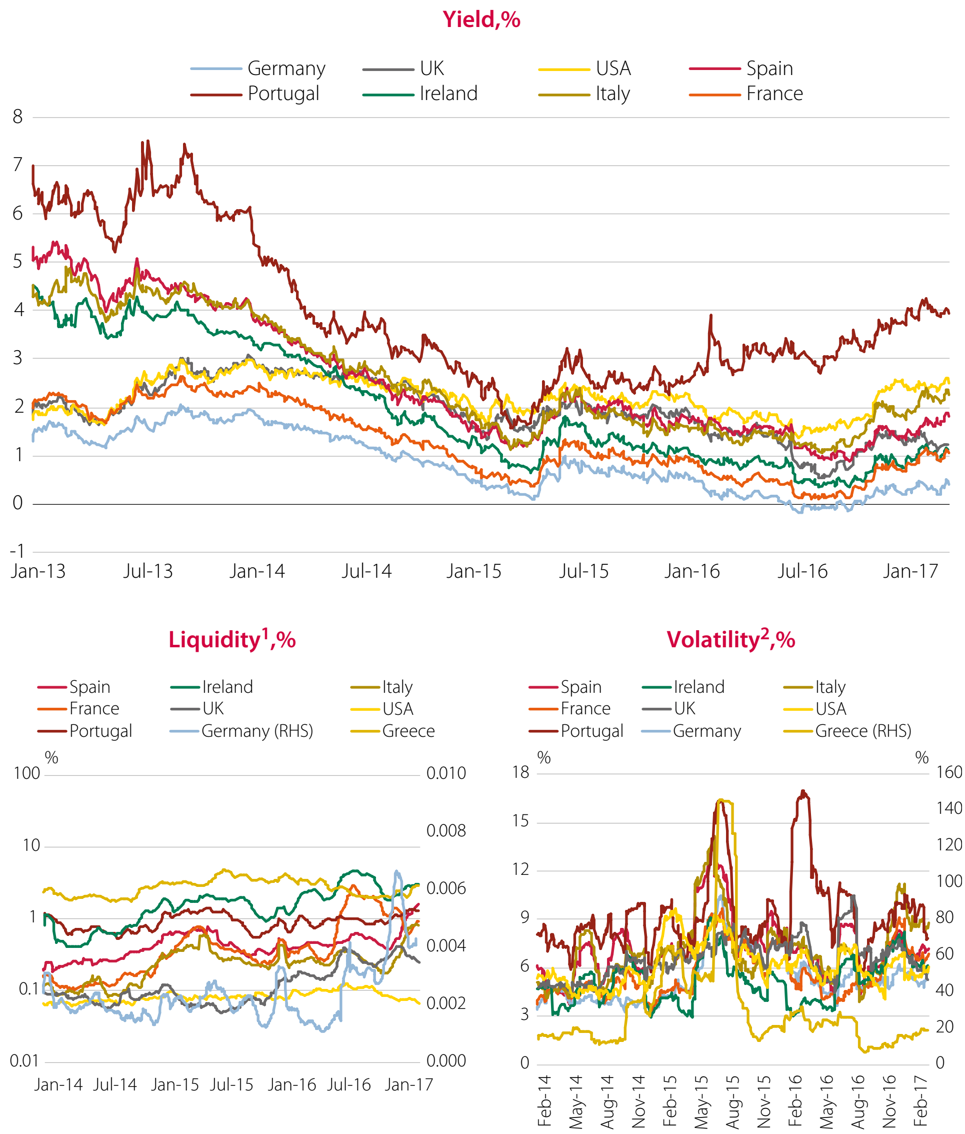
Short-term rates move higher in the US and stay negative in the euro area, reflecting the contrasts in monetary policy.

Short-term rates showed considerable dispersal across the advanced economies, in tune with their respective monetary paths. In the United States, three- and twelve-month interbank rates followed up the 39 bp and 51 bp rises of 2016 with an additional 14 bp increase to mid-March levels of 1.14% and 1.83% respectively. In the euro area, by contrast, three- and twelve-month rates slipped further into negative terrain and by mid-March were down to -0.33% and -0.11% (-0.32% and -0.08% respectively at year-end 2016).

Long-term government yields fall in the first half and rebound thereafter, with greater force after the US's November elections…

In international bond markets, ten-year yields on advanced economy government bonds reversed their first-half decline in response to the changed macro-financial scenario introduced by the new US administration. Despite a late spurt, ten-year government yields in Europe stopped short of the levels of the 2015 close, except in Italy and Portugal where they continued higher on concerns over the health of their banking sectors. In the United States, the upturn in yields came sooner and faster than in Europe, such that the full-year increase stretched to 25 bp.

Ten-year sovereign debt market indicators FIGURE 3



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

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. A rise in this indicator represents a loss of liquidity.

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

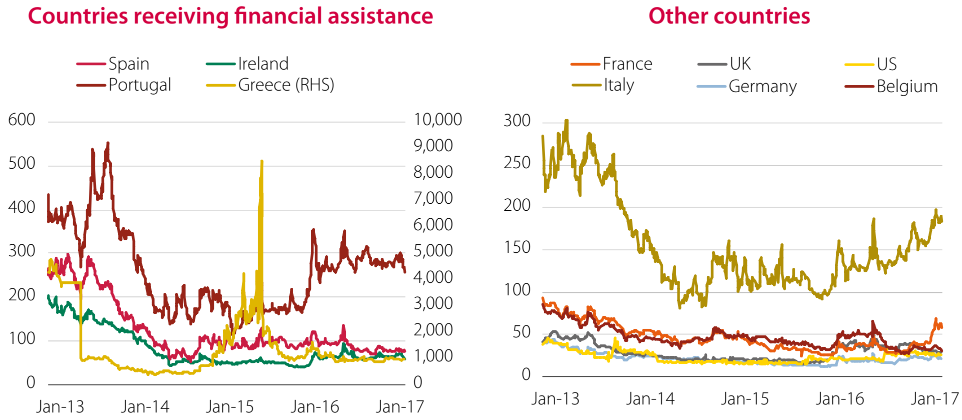
… a trend persisting through the first months of 2017.

Rising yields remained a feature of the advanced economies through the first months of 2017. By mid-March, ten-year US bonds were trading at 2.5% (68 bp up vs. last November). This was substantially more than the rates paid by the euro area's most solid economies, reflecting expectations of faster monetary policy normalisation by the Federal Reserve. Within Europe, German and Spanish ten-year bonds reached mid-March yields of 0.41% and 1.81% (up by 24 bp and 52 bp vs. November 2016), while those of Italy and France stood at 2.3% and 1% respectively. The slightly steeper run-up in these last two economies (55 bp) was due in part to elevated political uncertainties plus, in the case of Italy, the purported weakness of its banking sector. Without, of course, forgetting that these values still mark historical lows.

Sovereign risk premiums, as gleaned from the five-year CDS of government bonds, saw little change in either the US or core euro-area economies (see figure 4). Peripherals experienced more mixed fortunes, with a 6 bp fall in Spain contrasting with the 66 bp and 102 bp increases of Italy and Portugal respectively. In March this year, spreads were running at 26 bp in the US, 21 bp in Germany, 29 bp in the United Kingdom, 77 bp in Spain, 184 bp in Italy and 275 bp in Portugal, on a par with the 2016 close. Only in France did spreads rise a little more steeply (21 bp), as far as a March average of 59 bp.

Credit risk premiums based on CDS hold flat across most economies, with rises confined to those facing added uncertainties (banks or elections), i.e., Italy, Portugal and, more recently, France.

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

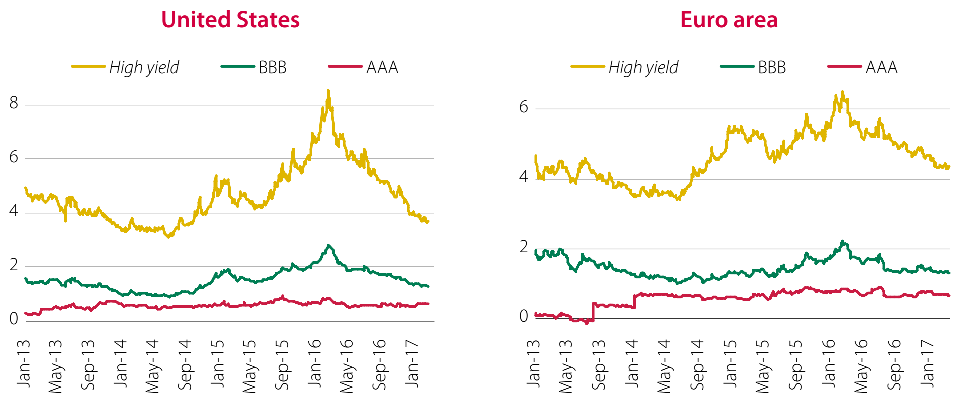


Source: Thomson Datastream. Data to 15 March.

Corporate bond spreads narrowed throughout the year across all US ratings grades and in the two lowest rated categories of euro-area debt (with AAA spreads unaltered). As figure 5 shows, high-yield spreads declined fastest in both regions, by a hefty 246 bp in the US and a more moderate 73 bp in the euro area. The downtrend, moreover, has continued into 2017, due presumably to the growing popularity of search for yield strategies in today's ultra-low interest rate environment. By mid-March, spreads on these higher-risk instruments were down to 366 bp in the United States and 433 bp in the euro area.

High-yield corporate spreads continue to narrow as strategies prioritise the search for yield.

Corporate bond yields
Spread vs. ten-year governments, p.p.[1] FIGURE 5



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

1 In the euro area versus the German benchmark.

Global debt issuance swells by 5.2% in 2016.

Net long-term issuance in global bond markets summed 2.72 trillion dollars, a 5.2% increase with respect to 2015. Growth extended to both sovereign and corporate paper, whose volumes rose by 91 and 45 billion respectively to 1.43 and 1.29 trillion dollars.

Sovereign issuance contracts in 2016 in both Europe and the United States

In Europe, net sovereign issuance was again curtailed by ongoing fiscal consolidation efforts. Issues volumes dropped in consequence from 110 billion dollars in 2015 to 70 billion in 2016, most notably in the second half when the figure turned negative in net terms (-178 billion dollars; see upper right-hand panel of figure 6). Net sovereign issuance also contracted in the United States, although the cause in this case was a redemptions bill 16.5% higher than in 2015.

… while financial sector issuance advances in the US and recedes in Europe, where banks must negotiate a challenging environment.

Net financial sector issuance in the United States came to 220 billion dollars, 14 billion more than in 2015 due to lower redemption volumes. In Europe, meantime, net issuance turned more steeply negative in the year (a further -24.9% to -97 billion dollars). This outcome reflects the deleveraging under way at European banks, as they confront the challenges posed by excess capacity, elevated operating costs and growing competition in certain financial services.

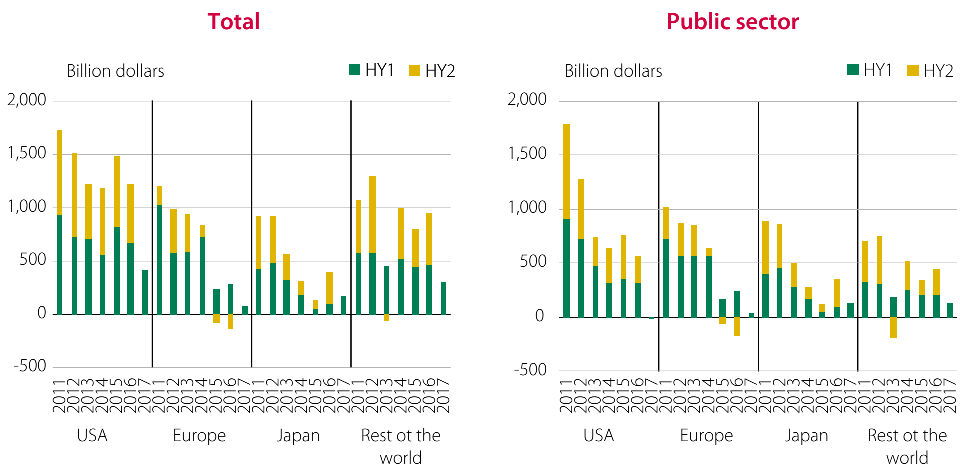
Corporate bond issuance rises everywhere but in the US, encouraged by central bank purchases and the prospect of the coming upcycle in rates.

Corporate bond issuance rose in 2016 in all regions except the United States. Net volumes, specifically, climbed by 29% in Europe to 165 billion dollars, and reached 10 billion dollars in Japan, after running a negative balance over 2015 and the first half of 2016. These advances were likely motivated in part by the asset purchase programmes of the ECB and Bank of Japan, and by companies bringing forward placements to lock in lower costs ahead of the expected upcycle in rates. In the case of the US, the 15.4% fall is partly a comparative effect vs. the issuance spurt of first-half 2015, when companies stepped up their primary market activity in anticipation of a Fed rate hike.

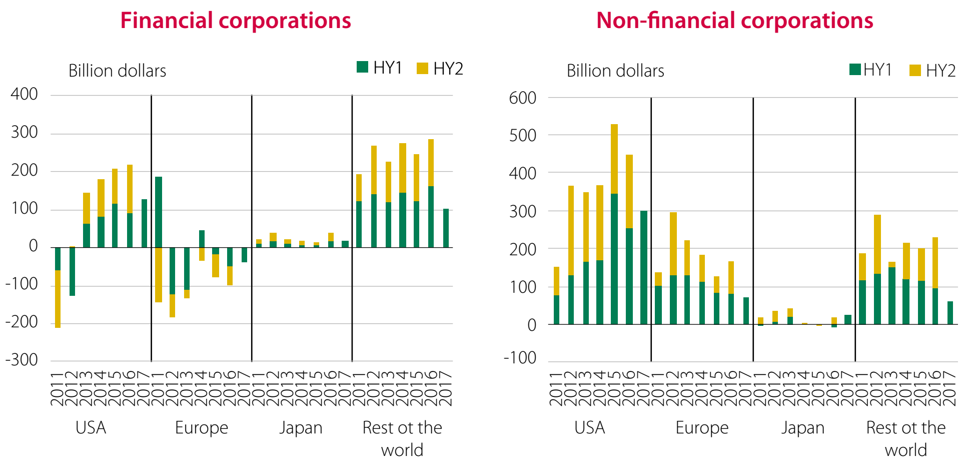
Issuance falls off sharply from the sovereign side in the opening months of 2017.

Net bond issuance on international markets receded 40% year on year in the first months of 2017[3], due mainly to falling sovereign debt sales in both the US and Europe.

Net international debt issuance FIGURE 6



3 Data to 15 March 2017.



Source: Dealogic. Half-year data. Data for first-half 2017 are to 15 March, restated on a semiannual basis to facilitate comparison.

Most equity indices shake off first-half losses to close the year with gains,

After a poor first half in which sundry uncertainties[4] weighed on market performance, leading stock indices rallied strongly and in most cases closed the year in positive territory. US indices chalked up the largest advances (13.4% for the Dow Jones, 9.5% for the S&P 500 and 7.5% for the Nasdaq tech composite), in contrast to the slimmer pickings recorded in Japan (0.4% for the Nikkei and -1.9% for the Topix). Leading the field among European indices were the UK's FTSE 100 (14.4%) and the German Dax 30 (6.9%), contrasting with the 10.2% losses of Italy's Mib 30, penalised for the country's troubled banking sector, and the 2% fall of Spain's Ibex 35.

… continuing into the first months of 2017 against a backdrop of muted volatility.

Stock market gains have by and large carried over to the opening months of 2017, ranging from the 2.8% of the Mib 30 and 2.5% of the Cac 40 to the 6% of the Dow Jones or the Nasdaq's 9.6%. US indices benefitted from expectations of a more expansionary fiscal policy and the deregulation of key industries, while, in Europe, some indices were held back by uncertainties of a political nature. Finally, the implied volatility of leading world exchanges has remained low key (between 10% and 20%) since the start of the year (see right-hand panel of figure 7).

Emerging market indices also perform strongly in 2016, above all in Latin America and Eastern Europe.

In emerging stock markets, the MSCI index rose 5.3% in 2016, with second-half gains wiping out the small losses of the first six months. Leading the advance were Latin American and Eastern European indices, particularly the Argentine Merval and Brazil's Bovespa (up 44.9% and 38.9% respectively) and the Russian index (up by a hefty 52.2%). Asian markets, meantime, experienced more mixed fortunes, with the Shanghai Composite bringing up the rear (-12.3%) as concerns grew over renminbi depreciation, possible capital outflows and the country's heavily indebted corporate sector. Since the start of this year, all emerging indices have posted further rises, the exception being Russia with losses to date of -7.8%.

4 Concerns at the year's outset focused on the performance of emerging market economies, particularly China, then shifted at mid-year to the repercussions of the UK's referendum vote to leave the European Union (Brexit).

Performance of main stock indices[1]

TABLE 1

%	2013	2014	2015	2016	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17 (to 15 March) %/prior quarter	% y/y[2]
World										
MSCI World	24.1	2.9	-2.7	5.3	-0.9	0.3	4.4	1.5	5.9	14.5
Euro area										
Eurostoxx 50	17.9	1.2	3.8	0.7	-8.0	-4.7	4.8	9.6	3.6	11.2
Euronext 100	19.0	3.6	8.0	3.0	-4.6	-2.1	4.1	5.9	3.1	10.4
Dax 30	25.5	2.7	9.6	6.9	-7.2	-2.9	8.6	9.2	4.6	20.9
Cac 40	18.0	-0.5	8.5	4.9	-5.4	-3.4	5.0	9.3	2.5	11.5
Mib 30	16.6	0.2	12.7	-10.2	-15.4	-10.6	1.3	17.3	2.8	5.4
Ibex 35	21.4	3.7	-7.2	-2.0	-8.6	-6.4	7.5	6.5	6.7	11.1
United Kingdom										
FTSE 100	14.4	-2.7	-4.9	14.4	-1.1	5.3	6.1	3.5	3.2	20.0
United States										
Dow Jones	26.5	7.5	-2.2	13.4	1.5	1.4	2.1	7.9	6.0	21.4
S&P 500	29.6	11.4	-0.7	9.5	0.8	1.9	3.3	3.3	6.5	18.3
Nasdaq-Composite	38.3	13.4	5.7	7.5	-2.7	-0.6	9.7	1.3	9.6	24.8
Japan										
Nikkei 225	56.7	7.1	9.1	0.4	-12.0	-7.1	5.6	16.2	2.4	14.4
Topix	51.5	8.1	9.9	-1.9	-12.9	-7.5	6.2	14.8	3.5	14.5

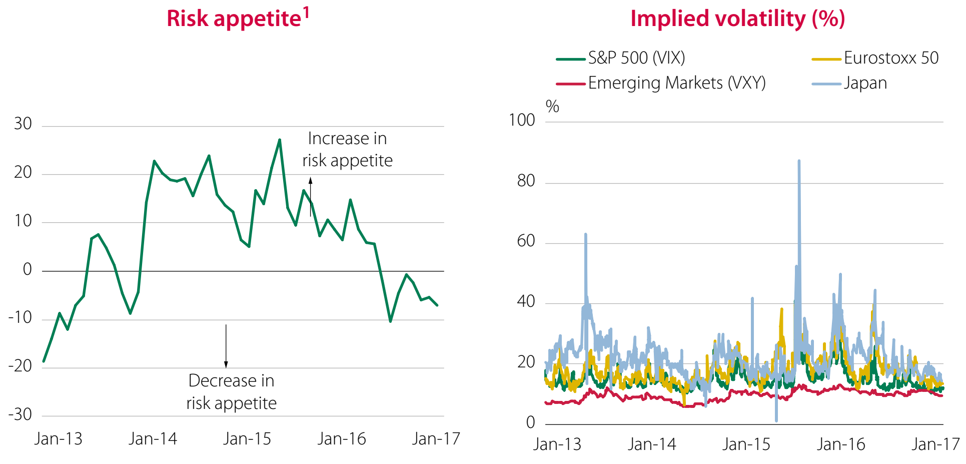
Source: Datastream.

1 In local currency.

2 Year-on-year change to the reference date.

Financial market indicators

FIGURE 7



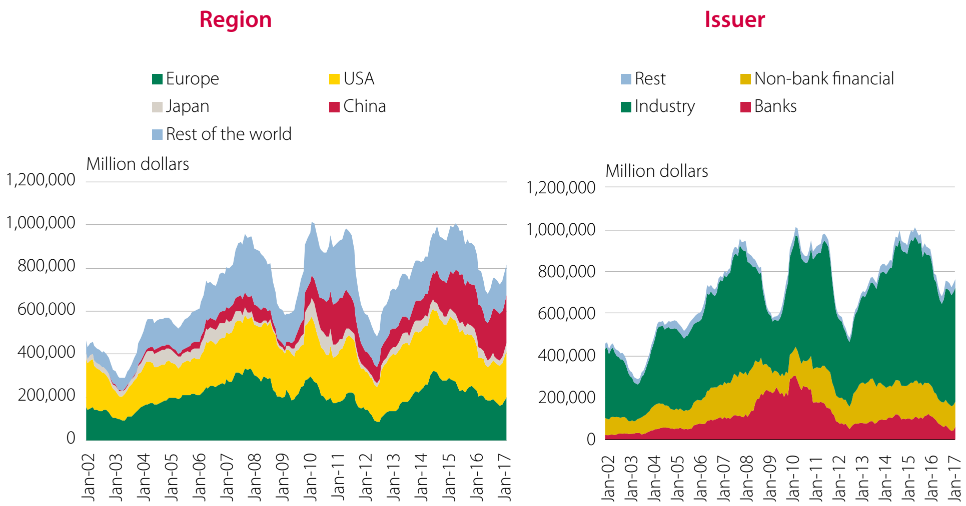
Source: Thomson Datastream and CNMV.

1 State Street indicator.

The volumes raised on global equity markets in the twelve months to March 2017 show some recovery with respect to the year before.

Equity issuance on global markets dropped by 21% to a year-end total of 725 billion dollars. However momentum is gathering to judge by the 818 billion dollars raised in the twelve months to March 2017, improving slightly on the figure for the year before (see figure 8). Regionally, the pattern varied, with declines in Japan (-17.3%) and Europe (-3.3%), and increases in China (12.5%) and, most dramatically, the United States (20.3%), where fast rising equity prices proved a strong inducement. All sectors raised their issue volumes in the period (financials: 7.3%; industrial companies: 5.4%, and utilities: 52.6%), with the exception of the banks (-25.7%). Although this last register represents some advance compared to second-half 2016 (-66% in December), it is also indicative of the challenges facing Europe's banking sector, as it struggles to squeeze out more profits in a context of ultra-low interest rates and mounting competition.

Global equity issuance FIGURE 8



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

2.2 National economic and financial developments

Spain's economy expanded at the same rate as in 2015 while conserving a clear lead over the remainder of the euro area. GDP growth was finally 3.2% (0.7% in the closing quarter), against the euro area's 1.7% (0.4% in the closing quarter).

Spain grows its GDP by 3.2% on average, substantially ahead of the euro-area rate (1.7%).

Domestic demand input 2.8 points to GDP growth, 0.5 points less than in 2015, with net exports taking up the slack. Of domestic demand components, only private consumption picked up speed (from 2.8 to 3.2%), while gross fixed capital formation slowed from 6 to 3.1% and government consumption from 2 to 0.8%. Meantime, imports decelerated faster than exports (5.6 to 3.3% against 4.9 to 4.4%), lifting the external sector contribution into positive terrain (up from -0.1 to 0.4 points).

A lesser growth contribution from domestic demand is offset from the net exports side.

On the supply side of the economy, all branches quickened their advance, except the industrial sector whose growth dropped from 5.5 to 2.4%. Specifically, the gross value added of primary sectors rose by 3.4% in 2016 (-2.8 the previous year), against the 2.5% of construction (0.2) and the 3.4% of the service sector (2.6).

All supply side sectors, with the exception of industry, pick up speed in 2016.

Spain: Main macroeconomic variables (annual % change)

TABLE 2

	2013	2014	2015	2016	EC[1] 2017F	EC[1] 2018F
GDP	**-1.7**	**1.4**	**3.2**	**3.2**	**2.3**	**2.1**
Private consumption	-3.2	1.6	2.8	3.2	2.1	1.8
Public consumption	-2.1	-0.3	2.0	0.8	0.9	0.8
Gross fixed capital formation, of which:	-3.4	3.8	6.0	3.1	3.4	3.8
Construction	-8.6	1.2	4.9	1.9	n. d.	n. d.
Equipment	5.3	8.4	8.9	5.1	4.0	3.8
Exports	4.3	4.2	4.9	4.4	4.0	4.3
Imports	-0.5	6.5	5.6	3.3	3.5	4.3
Net exports (growth contribution, p. p.)	1.4	-0.5	-0.1	0.4	0.2	0.1
Employment[2]	**-3.4**	**1.1**	**3.0**	**2.9**	**2.0**	**1.7**
Unemployment rate	**26.1**	**24.4**	**22.1**	**19.6**	**17.7**	**16.0**
Consumer price index[3]	**1.4**	**-0.1**	**-0.5**	**-0.2**	**1.9**	**1.7**
Current account balance (% GDP)	**1.5**	**1.1**	**1.4**	**2.0**	**1.7**	**1.6**
General government balance (% GDP)[4]	**-7.0**	**-6.0**	**-5.1**	**-4.7**	**-3.5**	**-2.9**
Public debt (% GDP)[5]	**95.4**	**100.4**	**99.8**	**99.7**	**100.0**	**99.7**
Net international investment position (% GDP)[6]	**-83.7**	**-90.1**	**-79.3**	**-76.3**	**n. a.**	**n. a.**

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

1 European Commission forecasts of February 2017.

2 In full-time equivalent jobs.

3 European Commission forecasts refer to the harmonised index of consumer prices.

4 Data 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. The percentage for 2016 is as forecast by the European Commission.

5 The 2016 rate is as forecast by the European Commission.

6 Ex. Banco de España. The net international investment position corresponds to the third quarter of 2016.

n. a.: [data] not available.

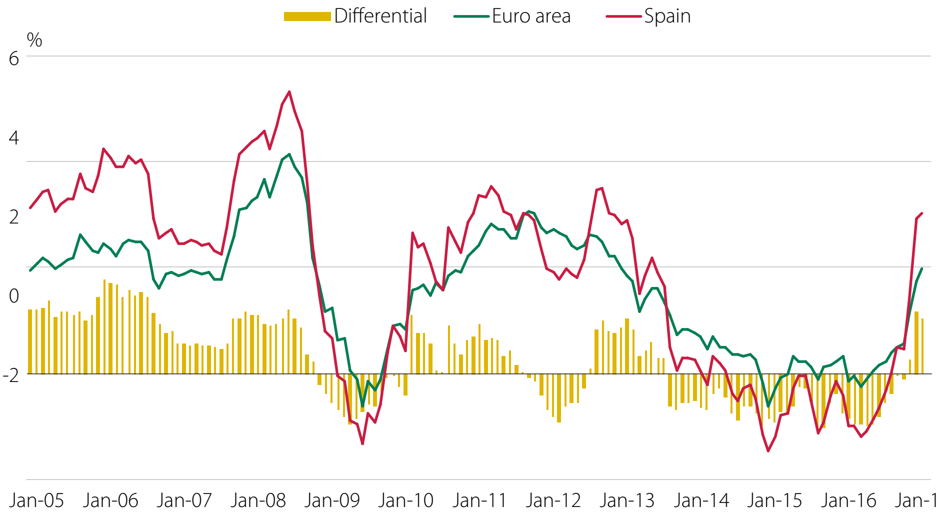
Inflation accelerates in the closing months with the bottoming out of energy prices, while core rates hold to a notably more stable course.

Inflation recovered sharply after a first half in negative terrain, due chiefly to the bottoming out of energy prices. The headline rate closed at 1.6%, almost a full point higher than in November, and by February 2017 had reached 3%. Meantime, the items making up core inflation – excluding volatile energy and fresh food constituents – traced a notably more stable course, with February's year-on-year rate of 0.9% a repeat of November 2016. Finally, Spain's inflation gap versus the euro area widened from -0.1 points in November 2016 to 1.1 points in February (see figure 9).

Employment growth consistently near 3% helps steer jobless rates down to 19%.

In the labour market, employment growth of 2.9% was on par with the previous year (3%). The 462,000 jobs created lifted the employed population to 17.51 million. The unemployment rate dropped to 18.6% in the fourth quarter for a yearly average of 19.6%, comparing favourably with the 22.1% average of 2015. Year-on-year growth in unit labour costs stayed negative throughout, with apparent productivity (up by an annual average of 0.37%) sizeably outstripping compensation per worker (up by a bare 0.01%).

Harmonised ICP: Spain v. the euro area (annual % change) FIGURE 9



Source: Thomson Datastream. Data to February.

Spain's public deficit drops to 4.5% of GDP in 2016, a little below the 4.6% targeted and over 0.5 points lower than in 2015.

The general government deficit closed last year at 4.5% of GDP (4.3% if we strip out aid to the financial sector), a little below the government's target level of 4.6% and over 0.5 points lower than in 2015. A breakdown by account shows a small reduction in the central government deficit (from 2.59 to 2.52% of GDP) and a larger one for the autonomous regions (practically halving their deficit from 1.74 to 0.82%[5]). Improvement too from local authorities, with an 0.64% surplus up from 0.47% in 2015. Only the deficit registered by the social security was higher than in 2015 (up from 1.22 to 1.62%). According to the excessive deficit procedure (EDP), general government debt edged down to 100.3% in the third quarter from its mid-year peak of 101% (99.8 at end-2015). The latest updated Budget Plan sets deficit targets of 3.1% in 2017, followed by 2.2% in 2018 and 1.3% in 2019.

Spain's banking sector, though affected by the low interest rates environment, has the advantage of a strong economy at home…

Banks again had to negotiate a complex business landscape characterised by ultra-reduced interest rates and the encroachment of new competitive forces (shadow banking, fintech...), which has driven profitability ratios well below the historical average. Although all Europe's banks are feeling the pressure, Spain's have suffered less than most because robust domestic activity has helped bring down non-performing loan ratios. As well as fending off competitors, it is important for banks to press on with cost rationalisation and efficiency gains.

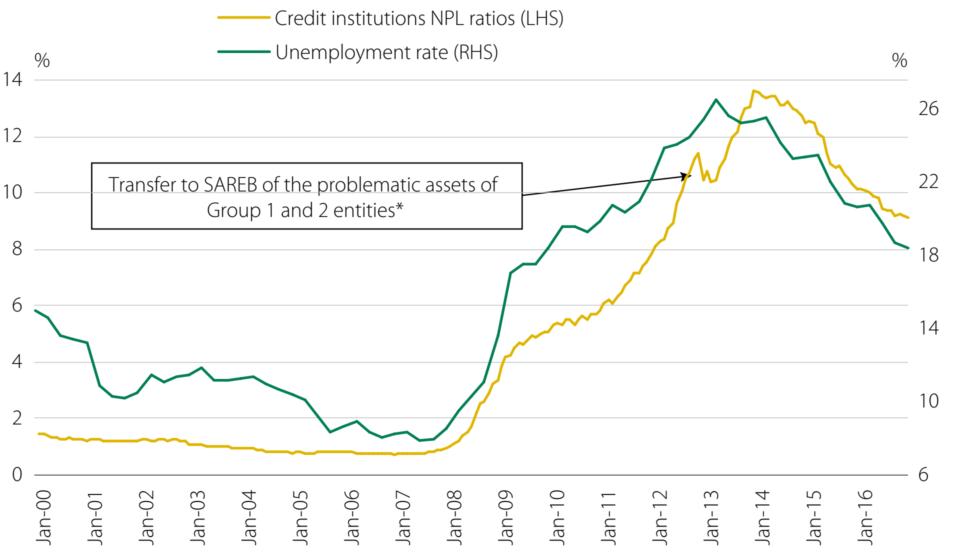
… which is driving improvement in sector NPL ratios and income statements.

Non-performing loans to other resident borrowers (households and non-financial companies) amounted to 9.1% of the total outstanding in December 2016, one point below the equivalent ratio for December 2015. Contributing to the improvement were factors like the pickup in economic activity and reduced interest rates, which mean cheaper finance for borrowers. Against this backdrop, bank income statements showed a combined 8.29 billion euros profit in the first nine months of 2016 (7.15 billion in the same period in 2015). A look at key income captions reveals: (i) a

5 The fiscal outcome of Spain's regions (Comunidades Autónomas) is influenced by the higher revenues transferred to them under the current financing system; an additional 8.20 billion euros in 2016. Eleven regions met the deficit target.

decline in gross income mainly reflecting the erosion of net interest margin; (ii) flat operating expenses, and (iii) lower impairment losses (on both financial and non-financial assets). Year-on-year net profit growth was mainly sourced from this last item plus a lower corporate income tax charge.

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



Source: Banco de España and National Statistics Office (INE). NPL and unemployment data to December 2016.

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 lending to the non-financial sector (households and businesses) contracts in 2016, though less so than in previous years.

Bank lending to the non-financial resident sector (households and companies) reduced at a slower rate in 2016. In the case of non-financial corporations. year-on-year growth in the flow of finance stood at -0.2% in December (-0.4% one year before). The positive impact of loans from abroad and securities other than shares was not enough to offset the contraction in resident credit institution lending. The picture with lending to households was broadly similar, with last December's year-on-year rate of -1.4% improving on the -2.1% of December 2015. Negative growth in this case was due to home purchase loans, which detracted 2.3%. In the euro area, conversely, the stock of outstanding loans to non-financial corporations and households climbed by 1.8% and 2.1% year on year to November 2016.

The bank sector balance sheet experiences further shrinkage, despite an upturn in Eurosystem borrowings.

Bank sector balance sheets shrank further in 2016 prolonging the downtrend of previous years. By the month of December, the sector-wide balance sheet was down to 2.65 trillion euros, equivalent to 113 billion less in assets compared to year-end 2015. All main funding sources contracted in the period: deposits by 74 billion euros, outstanding debt by 24 billion and equity by 8 billion. Meantime, banks increased their net Eurosystem borrowings to 139 billion in December 2016, up from the 133 billion of December 2015, after the initial reduction was wiped out by heavier borrowing in the second half.

Profits of non-financial listed companies climb 30% in 2016, if we strip out the heavy losses of one retail and services firm.

Non-financial listed companies obtained 17.08 billion euros profits in 2016, 3.5% less than in the previous year. All sectors secured major advances in EBITDA and pre-tax profits on the back of vigorous domestic activity (see table 3). Growth at the pre-tax line was strongest among energy companies (upwards of 5 billion euros) and in retail and services (almost 2.80 billion). Finally, consolidated profits rose 75% among energy companies to 8.83 billion euros and 8.8% in the industrial sector to 4.91 billion, against the slippage experienced by construction and real estate (-4.3%). The retail and services sector closed the year in red numbers, affected by heavy losses at one leading company[6]. Stripping out the figures for this one firm, the (consolidated) profits of retail and services operators would have grown by 23.8% and those of all non-financial listed firms by 29.7%.

Earnings by sector: Non-financial listed companies

TABLE 3

	EBITDA[1]		Profit before taxes		(Consolidated) profit for the year	
Million euros	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**
Energy	7,692	13,167	5,818	10,841	5,030	8,829
Industry	6,713	7,280	6.085	6,667	4,514	4,913
Retail and services	9,649	12,808	3,824	6,621	4,716	-114
Construction and real estate	5,186	5,623	2,908	3,886	3,398	3,253
Adjustments	-60	83	46	192	39	197
TOTAL	**29,180**	**38,961**	**18,681**	**28,207**	**17,697**	**17,078**

Source: CNMV.

1 Earnings before interest, taxes, depreciation and amortisation.

Stable debt levels facilitate a reduction in leverage in 2016, from 1.15 to 1.11.

The aggregate debt of non-financial listed companies, at 253.87 billion euros, was a bare 0.5% higher than in full-year 2015. There was no set trend, with debt levels rising among energy sector and retail and services firms and falling across the industrial sector and, most markedly, in construction and real estate (a pay-down of over 2.80 billion euros). The average leverage (debt to equity) of non-financial listed companies dropped from 1.15 in 2015 to 1.11 in 2016 (see table 4). Improvement was strongest among construction operators in line with the reduction in their debt levels. Finally, the debt coverage ratio (debt to EBITDA) for this set of firms strengthened from 8.7 to 6.5, with energy companies managing to push the ratio even lower, to 5.8 (9.6 in 2015).

Gross debt by sector: Listed companies

TABLE 4

	Debt		Debt/equity		Debt/ EBITDA	
Million euros	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**
Energy	74,010	76,205	0.72	0.72	9.6	5.8
Industry	16,971	16,574	0.53	0.47	2.5	2.3
Retail and services	107,766	109,361	1.98	2.00	11.2	8.5
Construction and real estate	55,209	52,370	1.86	1.58	10.6	9.3
Adjustments	-1,461	-642				
TOTAL	**252,495**	**253,867**	**1.15**	**1.11**	**8.7**	**6.5**

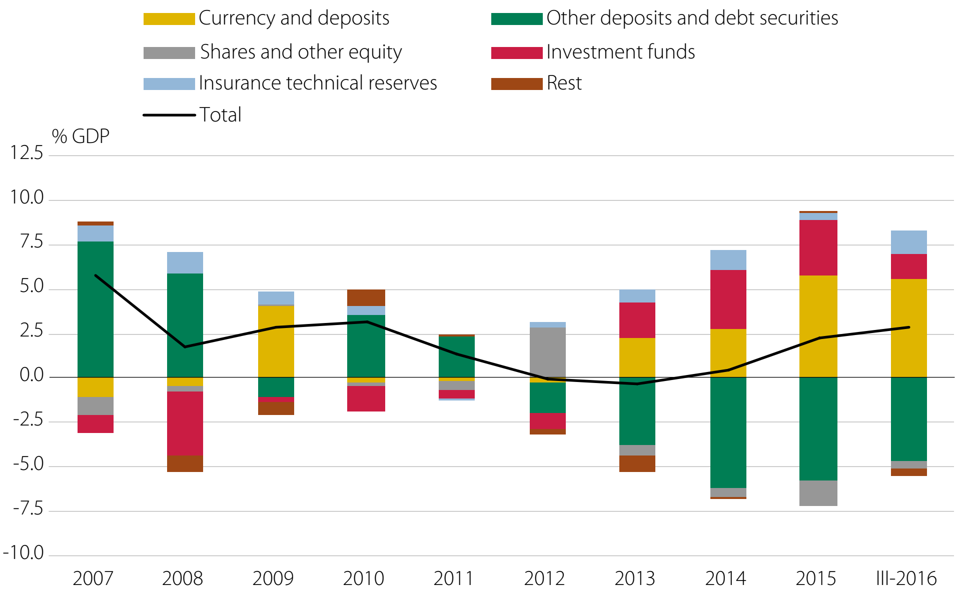
Source: CNMV.

6 Abengoa.

Lower debt-to-income and debt burden ratios deliver further improvement in the financial position of Spanish households, whose financial investments amount to nearly 3% of GDP, surpassing the registers of prior years.

Indicators for the financial position of Spanish households reveal that saving rates held broadly flat at around 8% of gross disposable income (GDI) in the third quarter of 2016. Both debt-to-income and debt burden ratios prolonged the downtrend in place since the financial crisis: the former from 106.08% of GDI at the 2015 close to 103.2% in September last year, on a combination of lower debt and higher income, and the latter by 0.4 points to 11.7%, due partly to the lower average cost of borrowed funds. Household financial investments amounted to 2.9% of GDP in the third quarter (cumulative four-quarter data), up from 2.2% in 2015, 0.4% in 2014 and -0.3% in 2013. As in previous years, households opted to move out of long-term deposits and debt securities (4.7% of GDP), due to the poor returns on offer, exchanging them for cash and transferable deposits (5.6% of GDP), insurance products (1.3% of GDP) and mutual funds (1.4% of GDP).

Household: Financial asset acquisitions (% GDP) FIGURE 11



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

Financial assets of Spanish households: Recent developments and comparison vs. other euro-area countries EXHIBIT 1

Banco de España's Survey of Household Finances (EFF in its Spanish initials) provides comprehensive data on the income, assets, debt and spending of family units. The survey is run every three years on an extensive sample of households, over six thousand in its latest edition. The five waves available to date – corresponding to 2002, 2005, 2008, 2011 and 2014 – cover a period of more than ten years that is particularly illuminating for the study of household behaviour patterns, including as it does a full cycle of the Spanish economy with expansionary and recession phases of unusual intensity and duration. The longitudinal nature of a part of the sample (the recalling of families interviewed in earlier editions) provides added depth and contrast by enabling analysis of different variables throughout the life cycle of households. The detailed results of the latest round are not yet available, but the Banco de España has published a summary of its main findings[1].

The European Central Bank sponsors a similar initiative in the euro area known as the Household Finances and Consumption Survey (HFCS). Two editions have been run to date, providing standard information on households in fifteen countries in the first wave and twenty in the second[2] that ensures the comparability of results. In most cases, the data for this second wave correspond to the year 2014.

Both surveys are particularly rich in information on securities market matters, since both inquire into the make-up of households' financial asset portfolios, broken down into three large categories of investment products: shares, fixed income and investment funds. The methodology employed involves oversampling of the wealthiest households, thus ensuring a sufficient number of households in the sample to reliably study their investment patterns[3].

In this exhibit, we present the main results of the latest EFF edition, focusing on households' financial asset mix. Results are then compared with those of the countries taking part in the HFCS.

The average 2014 income of Spanish households was 30,400 euros while their median income[4] stood at 22,700 euros, 12.1% and 9.6% less respectively than in the 2011 edition. Average net wealth fell by 7.7% to 245,600 euros in the 2011-2014 period, while median net wealth sank by 22.1% to 119,400 euros. Extending our comparison back to the 2008 and 2011 survey waves, we find that Spanish households suffered an 18.1% drop in median income and a 37.3% drop in median wealth over the length of the financial crisis. In the latter case, the scale of the decline owes mainly to the falling price of housing, for most Spanish families the single most important outlet for their wealth[5].

Both the EFF and the ECB survey confirm that Spanish and European households hold a large proportion of their gross wealth in real assets. A salient development in Spain's case is the rise in the relative weight of financial assets, from 15.4% of the total value of household assets in 2011 to 19.8% in 2014. This upswing has two main causes: the aforementioned fall in house prices and the decline in home ownership among younger families. In Europe, meantime, HFCS results show a similar weight for financial assets, specifically 17.8%.

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1 *Encuesta Financiera de las Familias (EFF) 2014: métodos, resultados y cambios desde 2011*, February 2017. Available from http://www.bde.es/f/webbde/SES/Secciones/Publicaciones/InformesBoletinesRevistas/ArticulosAnaliticos/2017/T1/fich/beaa1701-art2.pdf

2 The fifteen countries in the first edition, all belonging to the euro area (Belgium, Germany, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland), were joined in the second by all remaining members except Lithuania, along with Hungary and Poland.

3 Some asset classes are held only by a small fraction of households, normally the wealthiest. So in order to obtain a significant sample of investors, such households must be overrepresented in the survey.

4 Median income is the value of income such that 50% of households earn less and the other 50% more.

5 The index of real estate prices contracted 30.2% between mid-2008 and the end of 2014.

Households' main residence again figured strongly among real assets held, with an average weight that differed little between the two surveys (57.4% in Spain and 60.2% in the area covered by the European study, with percentages ranging from the 40% of Cyprus to the 80.1% of the Netherlands). Percentages of home ownership throw up greater differences, with an especially wide gap among lower net wealth households. So while in Spain 45.6% of households below the 25th percentile[6] of net wealth and 92% of those falling between the 25th percentile and the median declare themselves owners of their main residence, among households in the HFCS survey below the 20th percentile and between percentile 20 and 40, the proportion drops to just 8.1% and 31% respectively.

Turning to financial assets, the most widely reported in the 2014 EFF were bank accounts that cannot be used to make payments, followed, in order of importance, by unlisted shares and other equity securities, and accounts and deposits usable for payments. The former made up 17.9% of the value of households' financial assets, at some distance from the peak levels of the 2008 wave (26.4%). Unlisted shares, conversely, raised their weight to 17.8% of Spanish households' financial portfolios, finding special favour in the first years of the crisis. That said, the number of households owning such assets remained a fairly negligible 1.9%. Finally, accounts and deposits usable for payments weighed in at 16.8%, having receded steadily from the 26.6% high of the 2005 wave.

The pension schemes and life insurance that occupied second place in the 2011 EFF, dropped by over three full points to 15.1% of households' financial holdings. This adds to the existing gap versus HFCS countries, which reported an average 24.5% weight for this asset group albeit with a wide dispersal between the 40% of the Netherlands and France and the less than 10% of Greece and Italy.

Investment assets (listed shares, investment funds and fixed-income securities) raised their relative weight between 2011 and 2014, but continued to command a much smaller share than the aforementioned assets in both the EFF and HFCS. Listed shares advanced from 9% of Spanish households' financial assets in 2011 to 12.6% in 2014, exceeding the HFCS average of 7.1%, with a median invested value of 11,200 euros compared to 7,000 euros in Europe. The percentage of Spanish households directly owning listed shares, up by one point since the start of the crisis to 11.4%, was on a par with countries such as France or Belgium (11.7% and 11%) and ahead of others like Germany or the Netherlands (9.6% and 8%). Note that both the portfolio weight and percentage ownership of this kind of asset is increasing with households' net wealth.

After a major dip in the first years of the crisis, investment funds worked their way back as a percentage of Spanish households' financial assets from 5.6% in 2011 to 9% in 2014. According to CNMV figures, this recovery dates from around 2012 and was fuelled by the poor returns of competing products, deposits especially, in a low interest rate environment. The upswing is patent in the sums in-

6 The 25th percentile is the level of wealth such that 25% have a lower net wealth and the other 75% a higher net wealth.

vested by owner households (median value up from 10,000 to 39,300 euros) but less so in percentage ownership, which rose by a small margin only (from 5.6% to 6%). In fact, the proportion of Spanish households holding funds stands in stark contrast to other countries like Finland or the Netherlands, where percentage ownership stands at 27% and 21%, although median investment (4,200 and 8,900 euros respectively) is significantly lower.

Spanish households have little tradition of investing in fixed-income instruments. Hence the 2014 EFF puts their percentage ownership at just 0.6% (1.5% in 2011), compared to over 5% across the whole HFCS sample and upwards of 10% in countries like Italy or Malta. Spanish households' median investment in fixed-income securities stands at 24,600 euros, against the HFCS median of less than 20,000 euros.

In sum, the EFF shows that the income and net wealth of Spanish households, particularly the latter, contracted sharply over the crisis years, partly as a result of the fall-off in real estate values. Although the squeeze extended to the other European countries in the ECB survey, the overall decline was significantly less. The EFF also finds that Spain stands out from the rest of the HFCS sample in the large percentage of households of below median income that are home owners; a major impediment to their investing in other types of assets. As regards investment assets, it bears mention that the percentage of Spanish households investing in equity markets exceeds that of many European countries, while their ownership of fixed-income securities lags considerably behind. They also trail European peers in investment fund holdings, despite the expansion of the 2011-2014 period.

2.3 Outlook

Global growth is projected to quicken from last year's 3.1% to 3.4% in 2017.

The IMF, in its January forecasts, estimates global growth of 3.4% in 2017 and 3.6% in 2018. These rates improve on the 3.1% of 2016, but are viewed as particularly uncertain in light of potential changes in the policy stance of the United States under the incoming administration. Advanced economies are projected to grow by 1.9% in 2017 and 2% in 2018, compared to the 1.6% of 2016, while the emerging market economies are expected to accelerate to 4.5% in 2017 and 4.8% in 2018 (4.1% in 2016).

Internationally, the biggest risks for the macro-financial scenario have to do with incognitos over the policy stance of the new US administration....

The new US administration brings a series of risks to the global growth outlook. Specifically, restrictions on trade and immigration could disrupt the world economy in the medium to long run, while expectations of fiscal easing are already pushing up bond yields in the medium and long curve segments, and could yet trigger fresh corrections in financial asset prices and stoke volatility on global markets

… plus, in Europe, political fragmentation and the squeeze on bank sector profitability.

In Europe, increased uncertainty and, in some countries, political division are still the main risk factors dominating the economic and financial landscape, with the potential to slow down the structural reforms under way and reignite doubts about the sustainability of the debt load of some euro-area economies. Much will hinge on the progress of the Brexit negotiations initiated at the end of March, when the United Kingdom formally began its process of separation from the European Union, as well as on this year's general elections in France and Germany. Another risk focus is the banking sector, as banks struggle to coax out more profitability in the face of reduced interest rates, excessive non-performing exposure in certain countries, high operating costs and growing competition from fintech and shadow banking operators.

Gross domestic product (annual % change)						TABLE 5
					IMF[1]	
	2013	2014	2015	2016	2017P	2018P
World	3.3	3.4	3.2	3.1	3.4 (0.0)	3.6 (0.0)
United States	1.7	2.4	2.6	1.6	2.3 (0.1)	2.5 (0.4)
Euro area	-0.3	1.1	2.0	1.7	1.6 (0.1)	1.6 (0.0)
Germany	0.6	1.6	1.5	1.7	1.5 (0.1)	1.5 (0.1)
France	0.6	0.6	1.3	1.3	1.3 (0.0)	1.6 (0.0)
Italy	-1.7	-0.3	0.7	0.9	0.7 (-0.2)	0.8 (-0.3)
Spain	-1.7	1.4	3.2	3.2	2.3 (0.1)	2.1 (0.2)
United Kingdom	1.9	3.1	2.2	2.0	1.5 (0.4)	1.4 (-0.3)
Japan[2]	2.0	0.3	1.2	0.9	0.8 (0.2)	0.5 (0.0)
Emerging economies	5.0	4.6	4.1	4.1	4.5 (-0.1)	4.8 (0.0)

Source: IMF.

1 In brackets, change vs. the previous forecast. IMF, forecasts published January 2017 vs. October 2016.

2 Japan's historical national accounts were revised in December 2016 in line with changes in the country's GDP methodology.

The Spanish economy will continue to outperform the euro area, while it seeks to face off the challenges of high unemployment and fiscal consolidation.

In the case of the Spanish economy, the IMF projects some moderation of the growth pace to 2.3% in 2017 and 2.1% in 2018, a mark-up of 0.1 and 0.2 points respectively on its previous forecast. Despite this mild slowdown, which assumes a more modest advance in private consumption, growth of the Spanish economy will easily outpace that of the euro area (an augured 1.6% in both years). The main challenges for Spain are still high unemployment and fiscal consolidation, although strong domestic activity has delivered recent progress on both fronts. Other risks have to do with the resilience of the banking sector in the face of threats shared with other European economies, and the outlook for firms most exposed to the UK and Latin America in the light of the progress of Brexit and the policies of the US government.

3 Spanish markets

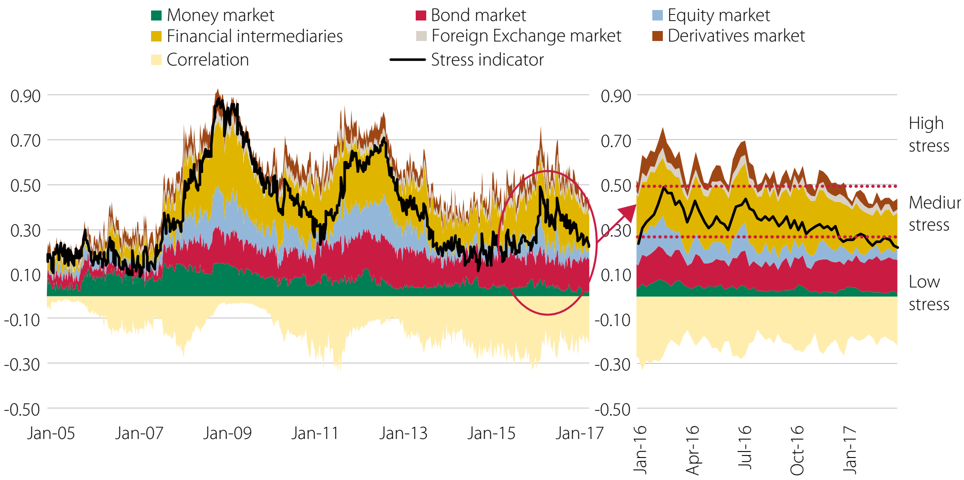
The stress indicator for Spanish financial markets has dropped to 0.23 in recent weeks, placing it firmly within the low stress band.

The stress indicator for Spanish financial markets has moved steadily lower in recent months to a mid-March reading of 0.23, corresponding to the low stress bracket[7] (0.27 marks the threshold separating low from medium stress). Note, however,

7 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 detailed information on the recent progress of this indicator and its components, see the quarterly Financial Stability Note and statistical series (market stress indicators) available from www.cnmv.es/portal/Menu/Publicaciones-Estadisticas-Investigacion. For further information on the indicator's methodology, see M. I. Cambón and L. Estévez (2016), "A Spanish Financial Market Stress Index (FMSI)", Spanish Review of Financial Economics 14 (January (1)), 23-41 or CNMV Working Paper No. 60 (www.cnmv.es/portal/Publicaciones/monografias).

that this is a real-time measurement with no predictive power, such that we cannot rule out uncertainty-driven upswings, for instance, as elections draw near in some European countries. For the moment, stress levels are highest in the bond market, given the heightened volatility and thinner liquidity of these last weeks, and, to a lesser extent, the financial intermediaries segment.

Spanish financial market stress indicator FIGURE 12



Source: CNMV.

The most pressing risk in financial markets is currently market risk, referring chiefly to the extremely high prices of fixed-income assets**.** However, this risk is gradually attenuating in the new macro-financial scenario ushered in by the foreseeably more aggressive tone of US monetary policy, which is already bearing down on long-term bond prices (and pushing up yields). Other emerging risks for the Spanish financial system relate to the thinning of liquidity, most notably in some segments of the fixed-income market, and market fragmentation.

3.1 Equity markets

Equity markets rally in 4Q 2016 on the upkeep of ECB monetary policy and, at home, the strength of the economy and greater political stability.

Spanish stock markets ended the year with a price spurt that made up some of the ground lost in the first half-year. This late rally was helped along by confirmation of the expansionary tone of ECB monetary policy, and a sturdy growth pace at home as the new Government settled in. The Ibex 35 closed the year just 2% down, underperforming other major European indices, Italy's excepted, against a backdrop of increased volatility and thinner trading. Price recovery did not extend equally to all sectors and shares, but was strongest among large corporations and among financials, which had taken a heavy punishment in the first six months. Small cap stocks also performed strongly thanks to a buoyant domestic economy and their low exposure to the external sector with its attendant uncertainties. The bull run has continued into 2017 in a spirit of optimism about the domestic growth outlook, and partly influenced by rising US markets.

The advance has lasted through the first months of 2017 (Ibex 35 up 6.7%) against a backdrop of subdued volatility and thinner trading volumes.

The Ibex 35 moved up 6.7% to mid-March adding to the 7.5% and 6.5% gains of the two previous quarters. Small cap stocks were at the forefront of the advance (10.8%), which outpaced that of other European markets[8], with medium cap stocks bringing up the rear (0.8%). The indices grouping Latin American securities traded in euros posted fresh gains in the opening stretch building on the strong price rally of last year's second half. Specifically, the FTSE Latibex All-Share and FTSE Latibex Top climbed by 8.6% and 11.2% respectively, bolstered by the improved performance of Latin American economies like Brazil, and the strength of their currencies against the euro[9].

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

%							1Q 17 (to 15 March)	
Index	**2014**	**2015**	**2016**	**2Q 16[1]**	**3Q 16[1]**	**4Q 16[1]**	**%/prior quarter**	**%/Dec 2016**
Ibex 35	3.7	-7.2	-2.0	-6.4	7.5	6.5	6.7	6.7
Madrid	3.0	-7.4	-2.2	-6.7	7.7	6.7	6.6	6.6
Ibex Medium Cap	-1.8	13.7	-6.6	-7.6	7.8	3.5	0.8	0.8
Ibex Small Cap	-11.6	6.4	8.9	-8.1	11.6	6.3	10.8	10.8
FTSE Latibex All-Share	-16.1	-39.2	71.0	-2.6	24.4	14.3	8.6	8.6
FTSE Latibex Top	-11.1	-34.6	67.8	-5.6	29.3	17.0	11.2	11.2
Sector[2]								
Financial and real estate services	**1.4**	**-24.2**	**-1.6**	**-14.0**	**10.4**	**21.0**	**5.7**	**5.7**
Banks	1.6	-26.0	-1.8	-15.0	10.3	22.5	5.8	5.8
Insurance	-9.2	-5.0	15.5	1.8	20.5	16.8	3.5	3.5
Real estate and others	36.3	18.4	-2.3	-3.4	0.1	0.9	5.7	5.7
Oil and energy	**11.8**	**0.6**	**0.8**	**5.3**	**0.8**	**1.7**	**1.8**	**1.8**
Oil	-15.1	-34.9	32.6	15.0	5.8	11.1	6.5	6.5
Electricity and gas	21.7	9.6	-4.3	3.7	-0.1	-0.2	0.7	0.7
Basic materials, industry and construction	**-1.8**	**2.1**	**2.0**	**-5.7**	**12.6**	**-0.4**	**6.3**	**6.3**
Construction	8.9	4.9	-7.9	-8.2	9.5	-1.9	4.6	4.6
Manufacture and assembly of capital goods	-18.3	49.0	7.8	-4.0	16.2	-6.1	5.7	5.7
Minerals, metals and metal processing	4.5	-30.8	48.8	-1.2	21.7	11.6	11.8	11.8
Engineering and others	-17.0	-39.6	9.9	3.4	14.3	6.5	4.4	4.4
Technology and telecommunications	**2.5**	**-5.2**	**-9.0**	**-9.7**	**9.0**	**2.8**	**10.2**	**10.2**
Telecommunications and others	2.6	-12.3	-14.2	-13.6	7.0	-2.7	12.9	12.9
Electronics and software	2.3	22.2	7.9	3.4	14.4	-3.0	4.0	4.0
Consumer goods	**-1.5**	**30.9**	**0.2**	**0.9**	**7.0**	**-0.9**	**-1.9**	**-1.9**
Textiles, clothing and footwear	-1.1	33.6	2.6	1.2	10.4	-1.5	-5.5	-5.5
Food and drink	-5.2	26.4	-5.4	-1.0	-1.2	-2.2	0.6	0.6
Pharmaceuticals and biotechnology	-1.0	23.5	-6.4	2.5	-1.3	1.3	9.6	9.6
Consumer services	**10.0**	**10.4**	**-8.0**	**-10.2**	**7.3**	**0.9**	**8.4**	**8.4**

8 Leading European indices all recorded gains: Dax (4.6%), Cac (2.5%), Eurostoxx50 (3.6%), Mib30 (2.8%).

9 The Brazilian real has appreciated 2.9% against the euro year to date.

%							1Q 17 (to 15 March)	
Index	2014	2015	2016	2Q 16[1]	3Q 16[1]	4Q 16[1]	%/prior quarter	%/Dec 2016
Motorways and car parks	6.8	-7.9	-3.1	-4.1	5.0	-4.1	6.2	6.2
Transport and distribution	27.9	29.6	-15.7	-19.5	7.9	4.3	11.9	11.9

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.

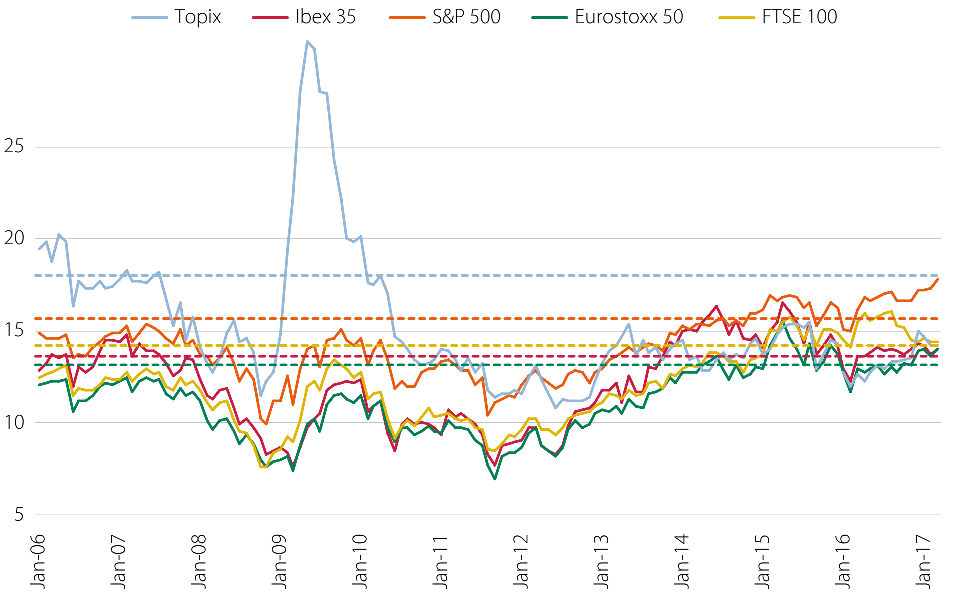
A positive evolution from most sectors, including financials, which are finding growing favour with investors.

With the exception of textiles, all sectors have kept in positive territory to varying degrees. At the head of the field was telecommunications and its leading operator, after struggling for most of 2016, followed by the consumer services sector. Financials too kept up their recovery though a little less strongly than before. The outlook for this sector has brightened significantly in the eyes of investors, on the grounds that most of its restructuring is now safely behind it and its business should benefit from the upcycle in rates. Finally, the oil sector and minerals and metals continued buoyant on the bottoming out of commodity prices (see table 6).

The Ibex 35 P/E falls despite first-quarter price rises due to an increase in forward earnings expectations.

Despite the price rises of the quarter, higher corporate earnings and the prospect of further growth in coming months lowered the price-earnings ratio (P/E) of the Ibex 35 from 14.3 in mid-December to 14 in mid-March. As figure 13 shows, the P/Es of major stock indices moved in different directions while generally staying ahead of the average levels of 2000-2017 period[10]. Hence the P/E of Japan's Topix index fell on the improved outlook for corporate earnings, while that of the US S&P 500 rose on the back of the index's strong advance. The multiples of the Eurostoxx 50 and the UK's FTSE 100 barely varied in the period.

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



Source: Thomson Datastream. Data to 15 March.

1 Twelve-month forward earnings.

10 Except Japan's Topix.

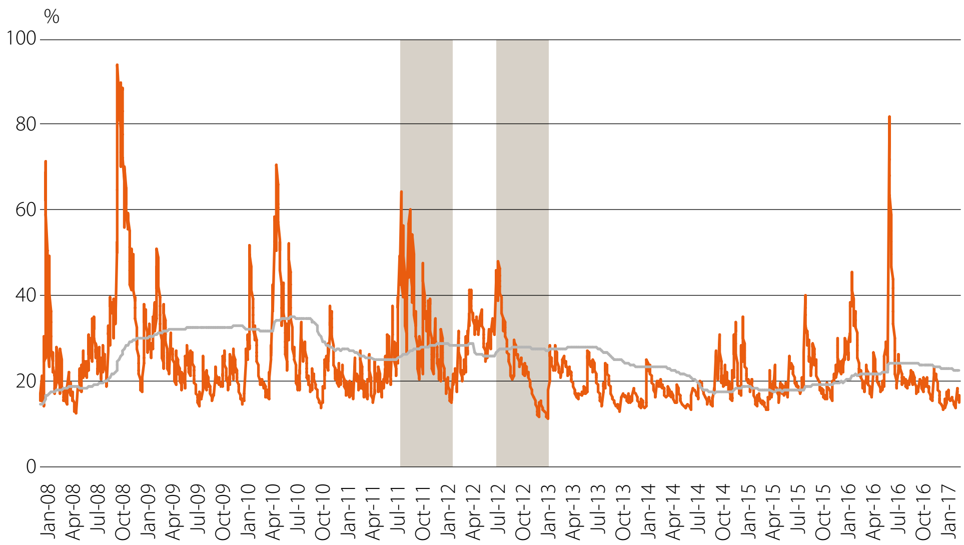
Ibex 35 volatility die down further, in line with other equity indices, to mid-March levels below 16%.

Ibex 35 volatility eased further in the opening months of 2017 prolonging the downtrend of last year's closing quarter. By mid-March it was down to just under 16%, a little below the 18.8% average of 4Q 2016, and improving significantly on the full-year average of 24%. This squared with the progress of volatility readings on other European indices, like the Eurostoxx 50 (10% at the end of the first quarter) or the US's VIX (upwards of 12%).

Liquidity holds within acceptable bounds during the first months of 2017.

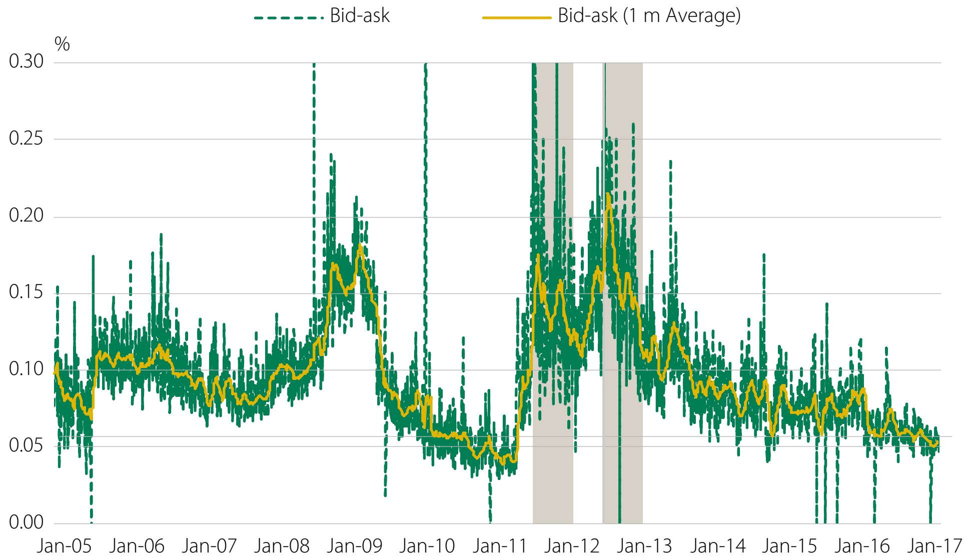
Ibex 35 liquidity, as measured by the bid-ask spread, traced a smooth progression in the first quarter of 2017, with signs of improvement in the form of a slight mid-March narrowing of the spread. Similarly to the movements in volatility, the Ibex 35 bid-ask fell from 0.06% at end-2016 to around 0.05% in March, a good way below its historical average (0.098%) and the average for full-year 2016 (0.064%).

Historical volatility of the Ibex 35 FIGURE 14



Source: Thomson Datastream and CNMV. Data to 15 March. The black line tracks conditional volatility and the red line unconditional volatility. The grey shaded areas 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. Bid-ask spread (%) FIGURE 15



Source: Thomson Datastream and CNMV. Data to 15 March. The curve represents the bid-ask spread of the Ibex 35 along with the average of the last month. The grey shaded areas 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.

Communication on the requirement to exchange collateral on OTC derivatives as of 1 March 2017

EXHIBIT 2

On 27 Febuary, the CNMV issued a communication directed at all those entities required to exchange margin on OTC derivatives as of 1 March, 2017. According to article 11.3 of the EMIR[1], financial and non-financial entities whose trading in OTC derivatives exceeds a certain threshold should have procedures in place to arrange for the exchange of collateral with respect to bilateral derivative contracts not cleared through a central counterparty (CCP). This requirement is elaborated on in a regulatory technical standard published in the Official Journal of the European Union on 15 December 2016[2], which stipulates that entities must exchange variation margins with their counterparties starting 1 March 2017.

Some entities have experienced difficulties implementing this requirement within deadline because of the changes entailed in their support documenta-

1 Regulation (EU) 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories: http://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=CELEX:32012R0648&from=EN

2 Commission Delegated Regulation supplementing Regulation (EU) No 648/2012 with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty: http://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=CELEX:32016R2251&from=EN

tion. This situation was acknowledged by the European Supervisory Authorities[3] and the IOSCO[4] in their respective statements of 23 February 2017.

Taking its cue from their content, the CNMV will bear these difficulties in mind and consider each industry member's size and circumstances when assessing the degree and timing of compliance.

In any case, the CNMV expects those counterparties unable to satisfactorily meet their margin exchange requirements as of 1 March 2017 to make every effort to achieve full compliance as soon as possible in accordance with a realistic and effective plan. The CNMV trusts that such compliance will be forthcoming in the space of weeks or a few months at most, and will launch specific supervisory actions to verify that this is so.

3 https://esas-joint-committee.europa.eu/Publications/Statements/Statement%20-%20Variation%20margin%20exchange%20under%20the%20EMIR%20RTS%20on%20OTC%20derivatives.pdf
4 https://www.iosco.org/library/pubdocs/pdf/IOSCOPD556.pdf

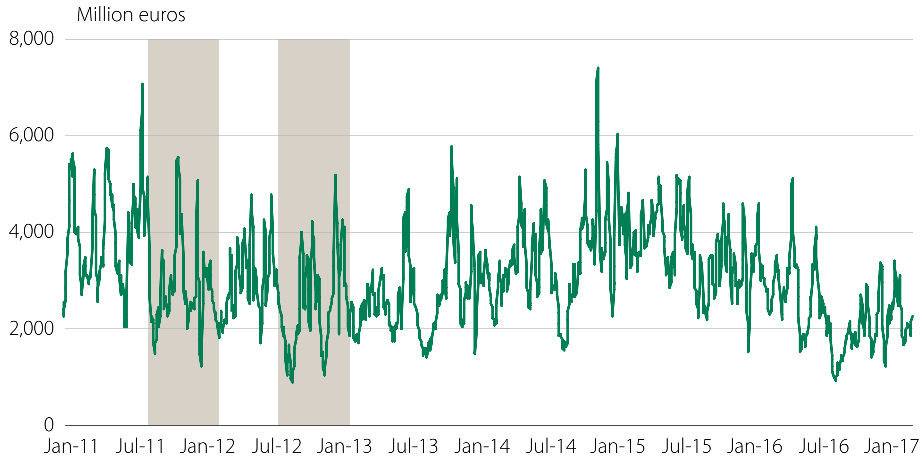
First-quarter turnover in Spanish equities is down 19% year on year within a protracted decline…

The bullish mood failed to stem the decline in trading in Spanish equities, which only picked up slightly in the third quarter of 2016. Reasons were the continuing expansion of OTC trading, concerns over the outcome of electoral processes in Europe, and the prospect of an imminent switch in the ECB's monetary stance. The result was that turnover in Spanish equities shrank by 19% year on year in 1Q 2017 to 176 billion euro, a steeper fall than at other major European exchanges. Average daily trading in the electronic market stood at 2.32 billion euros, ahead of the 1.78 and 2.13 billion of the third and fourth quarter, but a little short of last year's average of 2.48 billion (see figure 16).

… at odds with their popularity on external markets, which now account for 30% of total volumes.

Turnover in Spanish equities on other regulated markets and multilateral trading facilities (MTFs) amounted to 54.60 billion euros in the opening quarter, 4.5% higher

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



Source: CNMV. Data to 15 March. The grey shaded areas 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.

than in the same period last year. This equates to rather more than 30% of overall trading in Spanish shares, a similar proportion to 2H 2016, and suggests some stabilisation after the recent reform of the securities clearing, settlement and registration system. Finally, external markets channelled 28.1% of trading in the last year. The Chi-X platform was again strongly to the fore, with 22.50 billion euros year to date giving it a 41% share of foreign business, though it continues to lose ground to competing platforms: new operators are coming up fast and already command a combined 23% of volumes transacted outside Spain.

Trading in Spanish shares listed on Spanish exchanges[1] TABLE 7

Million euros	2013	2014	2015	2016	3Q 16	4Q 16	1Q 17[2]
Total	**764,986.6**	**1,002,189.0**	**1,161,482.8**	**877,413.3**	**172,742.7**	**198,336.0**	**176,005.5**
BME[3]	687,580.7	850,027.7	926,238.6	631,117.8	116,217.3	134,687.5	121,387.4
Chi-X	53,396.7	95,973.0	150,139.9	117,419.4	25,332.5	29,055.3	22,503.2
Turquoise	11,707.9	28,497.5	35,680.5	51,051.8	13,288.1	12,243.4	9,552.9
BATS	10,632.1	18,671.0	35,857.6	44,839.8	8,814.8	10,845.4	9,999.1
Others[4]	1,669.2	9,019.8	13,566.2	32,984.5	9,089.9	11,504.4	12,562.8
Pro memoria							
BME trading of foreign shares[3]	5,640.0	14,508.9	12,417.7	6,033.0	1,539.1	1,632.3	1,819.6
MAB	5,896.3	7,723.2	6,441.7	5,066.2	1,021.7	1,845.9	1,148.8
Latibex	367.3	373.1	258.7	156.7	26.5	58.9	61.9
ETF	4,283.9	9,849.4	12,633.8	6,045.2	1,014.3	1,288.9	768.1
Total BME trading	703,768.7	882,482.3	957,990.5	648,418.9	119,818.9	139,513.5	125,185.8
% Spanish shares on BME vs. total Spanish shares	89.9	84.8	80.1	71.9	67.7	68.4	69.3

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 March.

3 Including turnover on the electronic market (SIBE), open outcry and the second market.

4 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.

Even after the first IPOs since 2Q 2016, equity issuance slumps in the opening quarter on the smaller amount of capital increases.

Equity issuance on domestic markets sagged to 2.15 billion euros in 1Q 2017[11], less than half (-55.6%) the total for the year-ago period. The highlights of the quarter were its two initial public offerings, the first since 2Q 2016: one 750 million euro float corresponding to a security and cash management firm, and the other of a real estate operator, for an amount of 431 million. Similar transactions are in the pipeline for coming months. Capital increases, meantime, consisted primarily (77%) of scrip dividends[12], which overtook the total for the same period last year. Finally, capital increases with preferential subscription rights summed a bare 150 million euros.

11 Data to 15 March.

12 Several large corporations traditionally pay dividends in the first days of January.

Capital increases and public offerings

TABLE 8

	2014	2015	2016	2Q 16	3Q 16	4Q 16	1Q 17
NUMBER OF ISSUERS[1]							
Total	**49**	**52**	**44**	**20**	**13**	**18**	**13**
Capital increases	47	47	44	20	13	18	12
Public offers for subscription	6	0	3	3	0	0	0
IPOs	4	6	2	2	0	0	1
NUMBER OF ISSUES[1]							
Total	**147**	**115**	**84**	**24**	**15**	**24**	**14**
Capital increases	140	103	82	22	15	24	13
Public offers for subscription	8	0	4	4	0	0	0
IPOs[2]	7	12	2	2	0	0	1
CASH AMOUNT[1] (Million euros)							
Total	**32,762.4**	**37,067.4**	**20,031.7**	**9,247.2**	**1,907.8**	**3,985.2**	**2,151.2**
Capital increases	27,875.5	28,735.8	19,525.0	8,740.6	1,907.8	3,985.2	1,401.2
Public offers for subscription	2,951.5	0.0	807.6	807.6	0.0	0.0	0.0
Paid-in capital increases	12,650.8	9,627.8	5,729.2	1,233.3	1,146.3	2,383.0	1,084.4
Of which, scrip dividend[3]	12,573.8	9,627.8	5,729.2	1,233.3	1,146.3	2,383.0	1,084.4
Capital increases by debt conversion[4]	3,757.9	2,162.5	3,660.5	230.7	342.6	78.6	0.0
Capital increases against non-monetary consideration[5]	2,814.5	367.0	1,791.8	0.0	238.3	1,502.6	58.0
With preferential subscription rights	2,790.8	7,932.6	6,513.3	5,534.0	174.8	4.6	147.2
Without trading rights	2,909.9	8,645.9	1,022.5	935.0	5.8	16.3	111.5
IPOs	4,886.9	8,331.6	506.6	506.6	0.0	0.0	750.0
Pro memoria: MAB transactions[6]							
Number of issuers	9	16	16	3	8	7	2
Number of issues	15	18	21	4	8	7	2
Cash amount (million euros)	130.1	177.8	219.7	4.2	178.2	30.1	2.2
Capital increases	130.1	177.8	219.7	4.2	178.2	30.1	2.2
Of which, through public offers for subscription	5.0	21.6	9.7	0.0	7.3	2.4	0.0
Public offerings of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IPOs	0,0	0,0	0,0	0,0	0,0	0,0	0,0

Source: BME and CNMV. Data to 15 March.

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.

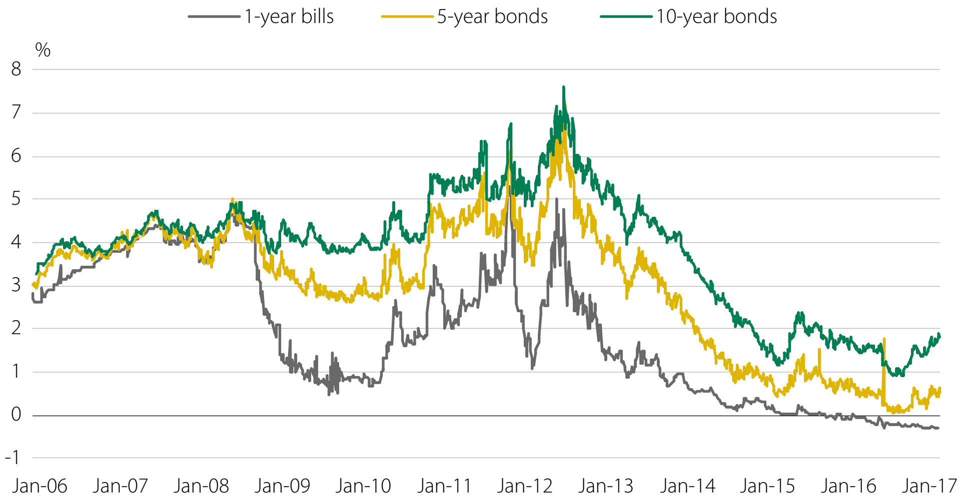
6 Transactions not registered with the CNMV.

3.2 Fixed-income markets

Spanish fixed-income markets, like those of other major advanced economies, closed 2016 with significant rises in medium and long-term yields, in response to the new political scenario in the United States, particularly the prospect that fiscal policy will turn more expansionary and that the Fed will complete the monetary shift already signalled by two official rate hikes[13]. The run-up in yields, which has continued with some levelling-off through the first months of 2017, takes place in a context of higher inflation and, in Europe's case, mounting uncertainty around forthcoming electoral processes and doubts about a possible switch in the ECB's monetary tack[14]. These more European than domestic factors have ratcheted up the sovereign credit spread (by 40 bp) in the last six months, along with those of other euro-area countries. Against this backdrop, Spanish issuers reduced their issuance in the opening quarter, with asset-backed securities and covered bonds leading the decline. The concurrent advance in bond sales (registered both abroad and with the CNMV) was due in part to expectations of progressively costlier debt financing.

The global macro and financial ramifications of the new US government, and sundry uncertainties in Europe, have set long bond yields and sovereign spreads on a sharply rising course.

Spanish government debt yields FIGURE 17



Source: Thomson Datastream. Data to 15 March.

Interest rates on short-dated government bonds moved sideways in the opening quarter, in contrast to the run-up in longer tenors, after the record lows reached in primary and secondary markets in the second half of 2016. The ECB's accommodative stance, with rates held low, and its suite of bond-purchase programmes[15] con-

Yields on short-term governments hold at record lows, while commercial paper rates edge higher.

13 The rise in both cases was 25 bp. The first increase, to the 0.50%-0.75% range, was on 14 December 2016, and the second, to 0.75%-1%, in mid-March 2017.

14 The ECB announced last December that it would extend its purchases of corporate and government debt from March to December 2017, although it would taper the monthly amount from 80 to 60 billion euros.

15 At the start of March 2017, the ECB had bought 1,404 billion euros of debt, including 167.49 billion euros of Spanish paper.

tinued to dominate movements at the short end of the yield curve. By mid-March, secondary market yields on three-month, six-month and twelve-month Letras del Tesoro stood at -0.43%, -0.35% and -0.28% after shedding between 1 and 4 bp, very close to the minimum annual return of -0.4% set by the ECB for its marginal deposit facility[16]. All Tesoro Público auctions were again settled at negative rates. Short-term corporate debt was a rather different case. Although rates stayed reduced, there was some upward movement (between 7 and 12 bp) in three- and six-month tenors, which pulled them away from the lows of the previous quarter as far as mid-March rates at issuance of 0.3%, 0.27% and 0.12% at three, six and twelve months respectively (see table 9).

Short-term interest rates[1] TABLE 9

%	Dec 14	Dec 15	Dec 16	Jun 16	Sep 16	Dec 16	Mar 17[2]
Letras del Tesoro							
3 month	0.12	-0.15	-0.47	-0.22	-0.42	-0.47	-0.43
6 month	0.25	-0.01	-0.34	-0.18	-0.27	-0.34	-0.35
12 month	0.34	-0.02	-0.25	-0.14	-0.23	-0.25	-0.28
Commercial paper[3]							
3 month	0.55	0.31	0.18	0.25	0.25	0.18	0.30
6 month	0.91	0.42	0.20	0.49	0.35	0.20	0.27
12 month	0.91	0.53	0.15	0.34	0.33	0.15	0.12

Source: Thomson Datastream and CNMV.

1 Monthly average of daily data.

2 Data to 15 March.

3 Interest rates at issuance.

Political uncertainty drives long-term government yields significantly higher in the past six months…

Yields on long-term government bonds moved higher in the opening quarter, on top of the sizeable advances of the fourth quarter last year. Driving the uptrend were political uncertainties associated with forthcoming elections in a number of European countries, in a context of gathering inflation. Rises were in any case rather more modest (between 16 and 34 bp) and confined to medium- and long-dated instruments, while three-year yields even headed lower. By mid-March, specifically, three-, five- and ten-year governments were yielding 0.02%, 0.51% and 1.78% (see table 10). The three-year note has held relatively stable in the last six months, but the ten-year bond, the most liquid, is paying 79 bp more than at the start of the period, zeroing in on the levels of the 2015 close.

… in contrast to more gently rising corporate debt yields.

Corporate debt traced a similar path to governments in the last part of 2016, but has since pulled apart. Yields rose by between 16 and 50 bp in the closing quarter, on concerns that the ECB might bring the end of its asset purchase programme forward to the month of March. But the chairman's December pledge to maintain purchases through 2017 (though tapering monthly amounts from 80 to 60 billion

16 At its 9 March meet, the ECB confirmed its main refinancing rate, marginal credit rate and marginal deposit rate at 0%, 0.25% and -0.4% respectively, while pledging to prolong its debt purchase programme to the end of this year, or longer if needed.

euros) eased the pressure on yields and set them on a moderately downwards course. This trend has been bolstered by the ratings upgrades granted to certain large corporations for their policies of paying down debt. The fall in yields was steepest (around 31 bp) in shorter-dated notes, the curve segment subject to most tension as the first to discount any change in the interest rate cycle. At the closing date for this report (15 March), yields on three-, five- and ten-year corporate notes were 0.38%, 1.45% and 1.97% respectively.

Medium and long term interest rates[1] TABLE 10

%	Dec 14	Dec 15	Dec 16	Jun 16	Sep 16	Dec 16	Mar 17[2]
Government bonds							
3 year	0,65	0,24	0,04	0,10	-0,05	0,04	0,02
5 year	0,96	0,72	0,35	0,46	0,12	0,35	0,51
10 year	1,77	1,72	1,44	1,47	0,99	1,44	1,78
Corporate bonds							
3 year	0,84	0,66	0,69	0,81	0,53	0,69	0,38
5 year	1,88	1,95	1,43	1,51	1,09	1,43	1,45
10 year	2,32	2,40	2,14	2,04	1,54	2,14	1,97

Source: Thomson Datastream, Reuters and CNMV.

1 Monthly average of daily data.

2 Data to 15 March.

Spain's sovereign risk premium, like that of other European economies, has strained higher in the last six months (by 40 bp to 140 bp) in a climate of greater political uncertainty.

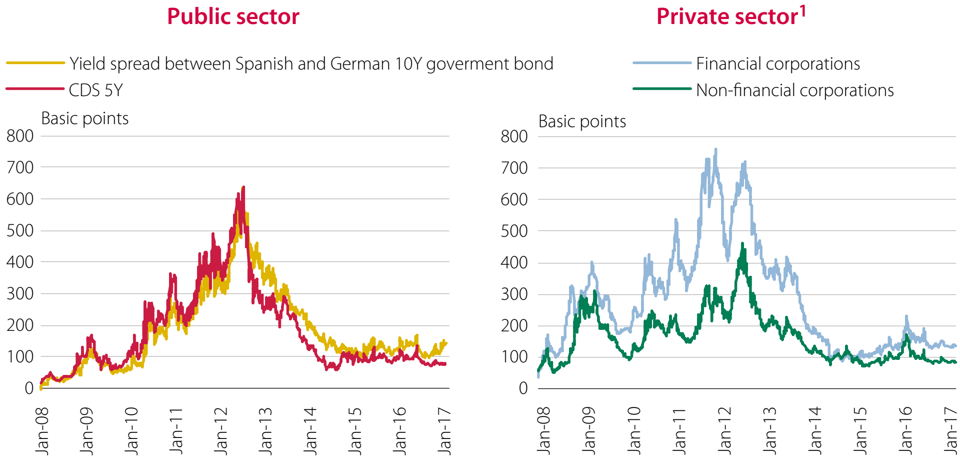
Sovereign risk premiums felt some fallout from the change of government in the US and the uncertainty engendered by forthcoming elections in Europe. The ten-year yield spread versus the German benchmark has widened in the last six months, a trend Spain has in common with other major European economies. Specifically, the 18 bp rise of the fourth quarter left the premium based on this spread a bare 3 bp higher, at 118 bp, than at the start of 2016. But this was followed by a 22 bp increase in 2017 that stretched the mid-March spread to 140 bp. On the CDS market, the premium traded on the Spanish sovereign CDS barely varied in the period, and by the close of the quarter was even slightly down on its start-out level (see left-hand panel of figure 18).

Notably stabler corporate spreads reflect the benefits of the ECB's bond-buying programme, and, in the case of financial issuers, the prospect of rising interest rates.

By way of contrast, credit risk premiums on corporate bonds held to a stable course with occasional downticks, presumably due in part to the boost effect of the ECB's corporate bond-buying programme. Although there has never been a specific programme to buy financial sector paper (excluded from the corporate debt purchase programme), issuers certainly benefited from programmes to purchase mortgage covered bonds and, to a lesser extent, asset-backed securities. Otherwise the small drop in financials' risk premiums in the last six months may reflect the positive impact of a higher interest rates scenario on the sector's business margins. As we can see from the right-hand panel of figure 18, the mid-March CDS spread of Spanish financial entities averaged 139 bp, close to the levels of the 2016 close (136 bp) and below the 145 bp of the third quarter. For non-financial corporations, average risk premiums were 85 bp at the same date, improving slightly on the 89 bp of the third and fourth quarters of 2016.

Risk premium paid by Spanish issuers

FIGURE 18



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

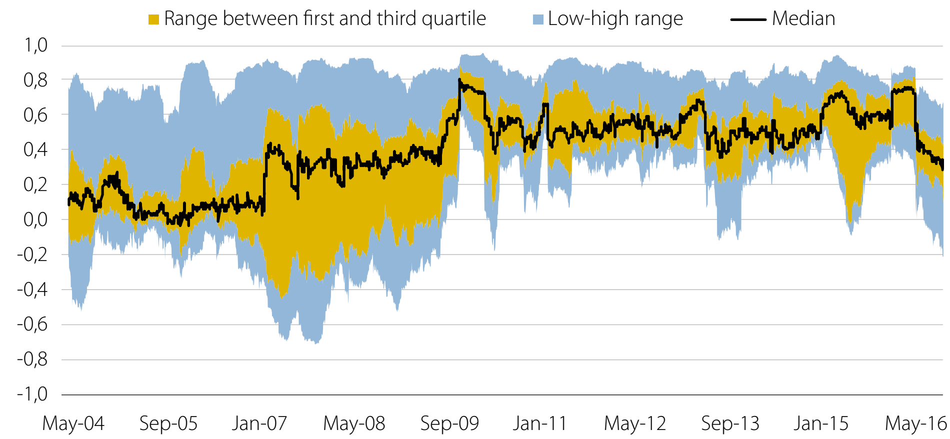
1 Simple average of five-year CDSs from a sample of issuers.

Correlations between the price of Spain's financial assets weaken further in the opening quarter to the lowest median values since 2010.

Correlation between the prices of different Spanish equity and fixed-income assets weakened significantly in the last quarter of 2016, once clear of the immediate effects of Brexit. And the trend has lasted into 2017. As figure 19 shows, the median correlation between the diverse sets of asset pairs dwindled to its lowest point since 2010. Also, the range of correlations between assets widened, due mainly to the lower correlation between financial sector equities, trending higher in the period, and the Spanish ten-year benchmark, whose prices have dropped in line with the rally in sovereign yields.

Correlations between classes of Spanish financial assets[1]

FIGURE 19



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

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. A high correlation between Spanish asset classes points to gregarious investor behaviour, possibly due to the heightened volatility typical at times of stress. Also, diversification would hold out fewer advantages, since it would be harder to avoid exposure to sources of systemic risk.

The volume of fixed-income issues registered with the CNMV sums 17.41 billion euros to mid-March, less than half the figure of one year before.

The CNMV registered 17.43 billion euros of gross bond issuance in the first quarter of 2017 (to 15 March), half the figure for the same period last year and just a third of the total recorded in fourth quarter 2016. These restrained issue volumes are again symptomatic of increased competition and the cheaper finance available through the traditional banking channel, as well as the upkeep of a busy schedule of foreign issuance by large corporations. Securitisation issues fell off most sharply, decreasing by almost 16 billion euros in the first quarter to 1.13 billion, ahead of mortgage covered bonds, down by 4.39 billion vs. the year-ago period, and commercial paper, down by 2.14 billion. Although the issue costs of mortgage covered bonds again benefitted from ECB purchases of covered bonds under its CBPP3 programme[17], issue volumes rely heavily on the outstanding stock of mortgage loans, which continues in decline. Conversely, issuance of non-convertible bonds and debentures expanded 55% to just short of 12 billion euros, accounting for over two thirds of quarterly volumes. These instruments' newfound popularity is based partly on the conviction that interest rates will rise in the coming months.

Fixed-income issuance abroad rises sharply in the year's first weeks, with longer-dated instruments leading the advance.

Fixed-income issuance abroad exceeded 9.30 billion in the first weeks of this year, more than double the figure for the same weeks in 2016. Leading the increase were longer-dated assets, while commercial paper sales contracted slightly. Foreign issuance now account for 35% of the total raised by Spanish issuers (up from 30% in full-year 2016). Issuance by Spanish subsidiaries abroad was also higher at 6.67 billion euros, 26% more than in 2016, with over two thirds raised by non-financial corporations and the rest by the banks. In general, Spanish firms have stuck to debt financing ahead of what they see as the likely rise in the cost of these borrowings once the ECB changes monetary tack.

Gross fixed-income issues

TABLE 11

					2016		2017
Registered with the CNMV[1]	**2013**	**2014**	**2015**	**2016**	**3Q**	**4Q**	**1Q[2]**
NOMINAL AMOUNT (million euros)	**138,839**	**130,258**	**136,607**	**139,026**	**13,529**	**55,524**	**17,429**
Mortgage covered bonds	24,800	23,838	31,375	31,643	0	11,500	2,250
Territorial covered bonds	8,115	1,853	10,400	7,250	2,500	2,000	0
Non-convertible bonds and debentures	32,537	41,155	39,100	40,168	1,411	26,358	11,942
Convertible/exchangeable bonds and debentures	803	750	53	0	0	0	0
Asset-backed securities	28,593	29,008	28,370	35,505	4,186	9,625	1,130
Domestic tranche	24,980	26,972	25,147	32,229	3,865	8,541	718
International tranche	3,613	2,036	3,222	3,276	321	1,084	412
Commercial paper[3]	43,991	33,654	27,310	22,960	3,931	6,040	2,108
Securitised	1,410	620	2,420	1,880	0	740	0
Other commercial paper	42,581	33,034	24,890	21,080	3,931	5,300	2,108
Other fixed-income issues	0	0	0	1,500	1,500	0	0
Preference shares	0	0	0	0	0	0	0
Pro memoria:							
Subordinated issues	4,776	7,999	5,452	4,279	733	1,435	0
Other issues	193	196	0	421	0	0	0

17 Purchases under this programme summed over 213 billion euros to 3 March, 31.5% in the primary market.

						2016	2017
Abroad by Spanish issuers	2013	2014	2015	2016	3Q	4Q	1Q[4]
NOMINAL AMOUNT (million euros)	**47,852**	**56,736**	**65,602**	**58,387**	**9,796**	**16,237**	**9,377**
Long term	34,452	35,281	32,362	31,455	4,234	9,740	6,645
Preference shares	1,653	5,602	2,250	1,200	0	0	0
Subordinated debt	750	3,000	2,918	2,333	170	620	0
Bonds and debentures	32,049	26,679	27,194	27,922	4,064	9,120	6,645
Asset-backed securities	0	0	0	0	0	0	0
Short term	13,400	21,455	33,240	26,932	5,562	6,497	2,732
Commercial paper	13,400	21,455	33,240	26,932	5,562	6,497	2,732
Securitised	0	0	0	0	0	0	0
Pro memoria: Gross issuance by subsidiaries of Spanish companies resident in the rest of the world							
						2016	2017
	2013	2014	2015	2016	3Q	4Q	1Q[4]
NOMINAL AMOUNT (million euros)	**48,271**	**41,682**	**55,835**	**57,388**	**16,199**	**13,228**	**6,670**
Financial corporations	8,071	9,990	15,424	12,171	4,484	2,226	2,026
Non-financial corporations	40,200	31,691	40,411	45,217	11,715	11,002	4,643

Source: CNMV and Banco de España.

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

2 Data to 15 March.

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

4 Data to 31 January

4 Market agents

4.1 Investment vehicles

Financial CIS[18]

Mutual fund assets grow by over 7% in 2016 after a first-quarter dip. The advance owes to unit-holder subscriptions…

Assets under management in mutual funds expanded 7.1% in 2016 to 237.86 billion euros, prolonging the growth trend in place since 2013 (see table 13) despite some degree of slowdown. After a shaky first quarter in which assets shrank by 1.7%, business was brisk enough to more than make up the initial fall. The advance in assets owed almost entirely to investor subscriptions, a total of 13.78 billion euros in the year, offsetting the 492.4 million in redemptions of the opening quarter (see table 12). Performance varied widely by category, as investor preferences shifted with respect to prior years. In contrast to the appetite for riskier products (balanced, absolute return and global funds) evident in the reduced rates environment of 2015, last year saw a gathering move into more conservative options (fixed-income or guaranteed equity funds), as markets were again gripped by bouts of uncertainty.

18 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.

As we can see from table 12, fixed-income funds received the highest net subscriptions, at 7.61 billion euros, followed by passively managed and guaranteed equity funds, with net inflows of 5.79 and 5.48 billion respectively. Global funds too fared well in the year, taking in 3.58 billion net. This contrasted with the 3.2 billion in net outflows from guaranteed fixed-income funds, followed closely by balanced funds in both fixed-income and equity variants (-3.18 billion and -3.03 billion respectively).

… as investors seek refuge from market turmoil in more conservative fund products.

Portfolio returns were on a par with the previous year at just under 1%. Leading the field were equity funds with 4.2% and 2.6% respectively in international and euro categories. In both cases, second-half gains more than countered earlier losses in line with the broader performance of equity prices. Finally, guaranteed fixed income was the only category to close the year in negative terrain (-0.03%), with returns lowest of all in the closing quarter.

Initial losses in riskier fund categories keep a lid on fund returns, which close at just under 1%.

Net mutual fund subscriptions

TABLE 12

				2016			
Million euros	2014	2015	2016	1Q	2Q	3Q	4Q
Total mutual funds	**35,972.7**	**23,466.6**	**13,782.4**	**-492.4**	**2,014.2**	**5,898.7**	**6,361.9**
Fixed income[1]	13,492.7	-5,351.4	7,613.8	2,078.5	1,836.1	2,400.8	1,298.4
Balanced fixed income[2]	15,712.0	21,167.5	-3,177.6	-1,604.4	-562.3	-1,200.0	189.1
Balanced equity[3]	6,567.7	8,153.8	-3,030.2	-712.8	-383.0	-2,312.2	377.8
Euro equity [4]	2,184.9	468.9	-542.9	-251.6	-410.1	-172.6	291.4
International equity[5]	531.8	4,060.5	346.6	-324.4	-99.6	237.2	533.4
Guaranteed fixed-income	-10,453.6	-6,807.4	-3,202.7	-1,268.2	-964.9	-813.1	-156.5
Guaranteed equity[6]	-909.5	-2,599.8	5,478.4	1,752.9	1,520.5	770.1	1,434.9
Global funds	2,182.3	5,805.3	3,579.9	-78.0	-283.2	3,537.5	403.6
Passively managed[7]	4,970.9	-6,264.2	5,790.0	-152.4	1,328.1	2,983.2	1,631.1
Absolute return[7]	1,693.9	4,811.4	946.4	77.4	42.5	467.8	358.7

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.

The rationalisation drive launched by CIS management companies that slashed fund numbers by 381 in just three years appears to have concluded. The number of funds in operation was 1,805 at the December close, one more than at end-2015. The biggest additions, of 26 and 25 respectively, were in balanced equity and global funds, contrasting with the 64 funds wound up in the guaranteed fixed-income category, in tune with recent movements in industry assets. Fixed-income and guaranteed equity funds also reduced in number by 13 and 7 respectively.

Fund numbers stabilise at just over 1,800 after the weeding-out of recent years...

… while unit-holder numbers parallel asset growth, climbing 7.4% in 2016 to just over 8.2 million.

Paralleling the growth in industry assets, unit-holder numbers rose by 7.4% to upwards of 8.2 million. Global funds took the lead here, attracting 277,000 new investors, ahead of passively managed and fixed-income funds, with an additional 192,000 and 144,000 respectively. The biggest outflows were in balanced equity funds, where investor numbers dropped by 164,000 to 448,000 after tripling in the two previous years. There was shrinkage too in guaranteed and balanced fixed-income funds, whose unit-holder numbers dropped by 164,000 and 86,000 in the year. Note that while the trend has been decreasing in the former category since 2014, for balanced fixed-income funds this was the first reduction in the last three years.

Main mutual fund variables*

TABLE 13

	2014	2015	2016	2016			
Number				1Q	2Q	3Q	4Q
Total mutual funds	**1,951**	**1,804**	**1,805**	**1,799**	**1,809**	**1,810**	**1,805**
Fixed income[1]	359	319	306	309	312	308	306
Balanced fixed income[2]	123	132	148	135	138	146	148
Balanced equity[3]	131	142	168	147	156	166	168
Euro equity[4]	103	109	112	111	111	112	112
International equity[5]	191	200	201	201	197	201	201
Guaranteed fixed-income	280	186	122	171	155	135	122
Guaranteed equity[6]	273	205	198	204	201	196	198
Global funds	162	178	203	185	198	200	203
Passively managed[7]	227	213	220	221	222	221	220
Absolute return[7]	102	97	106	92	98	104	106
Assets (million euros)							
Total mutual funds	**198,718.8**	**222,144.6**	**237,862.2**	**218,339.2**	**220,296.0**	**229,117.4**	**237,862.2**
Fixed income[1]	70,330.9	65,583.8	74,226.4	67,765.4	70,308.6	73,001.3	74,226.4
Balanced fixed income[2]	24,314.3	44,791.8	40,065.6	42,585.9	40,541.2	39,644.2	40,065.6
Balanced equity[3]	13,570.4	21,502.9	16,310.6	20,170.2	17,595.1	15,601.3	16,310.6
Euro equity[4]	8,401.5	9,092.9	8,665.9	8,160.0	7,410.3	7,795.7	8,665.9
International equity[5]	12,266.4	17,143.2	17,678.8	16,162.8	15,424.4	16,274.4	17,678.8
Guaranteed fixed-income	20,417.0	12,375.6	8,679.8	10,818.8	9,854.5	9,066.1	8,679.8
Guaranteed equity[6]	12,196.4	9,966.6	15,475.7	11,862.3	13,277.3	14,064.6	15,475.7
Global funds	6,886.3	12,683.3	20,916.8	12,300.8	16,190.4	20,067.8	20,916.8
Passively managed[7]	23,837.5	17,731.1	23,601.6	17,403.6	18,534.2	21,872.0	23,601.6
Absolute return[7]	6,498.1	11,228.1	12,215.2	11,073.7	11,134.1	11,704.0	12,215.2
Unit-holders							
Total mutual funds	**6,409,806**	**7,682,947**	**8,253,611**	**7,699,646**	**7,800,091**	**8,022,685**	**8,253,611**
Fixed income[1]	1,941,567	2,203,847	2,347,984	2,222,005	2,274,700	2,315,533	2,347,984
Balanced fixed income[2]	603,099	1,130,190	1,043,798	1,113,180	1,075,219	1,033,454	1,043,798
Balanced equity[3]	377,265	612,276	448,491	596,136	556,818	451,040	448,491
Euro equity[4]	381,822	422,469	395,697	412,495	392,465	387,786	395,697
International equity[5]	705,055	1,041,517	1,172,287	1,052,810	1,052,225	1,138,697	1,172,287
Guaranteed fixed-income	669,448	423,409	307,771	378,017	355,577	325,955	307,771
Guaranteed equity[6]	557,030	417,843	552,445	463,423	497,543	515,563	552,445
Global funds	223,670	381,590	658,722	383,066	456,609	625,931	658,722
Passively managed[7]	686,526	554,698	746,233	557,262	609,995	681,545	746,233
Absolute return[7]	264,324	479,182	565,325	505,442	513,724	532,151	565,325
Return[8] (%)							
Total mutual funds	**3.67**	**0.89**	**0.98**	**-1.36**	**-0.03**	**1.34**	**1.05**
Fixed income[1]	2.41	0.10	0.52	0.16	0.23	0.34	-0.21
Balanced fixed income[2]	3.67	0.16	0.27	-1.27	0.30	0.69	0.56
Balanced equity[3]	4.70	0.15	1.19	-2.84	0.00	1.75	2.35
Euro equity[4]	2.09	3.44	2.61	-6.99	-4.49	7.89	7.06
International equity[5]	6.61	7.84	4.15	-4.62	-0.44	4.00	5.46
Guaranteed fixed-income	2.54	0.27	-0.03	0.09	0.19	0.27	-0.58
Guaranteed equity[6]	2.64	1.07	0.19	-0.87	0.37	0.97	-0.27

	2014	2015	2016	2016			
				1Q	2Q	3Q	4Q
Global funds	4.63	2.45	1.99	-2.21	0.02	2.10	2.13
Passively managed[7]	7.74	0.53	1.16	-1.13	-0.03	1.63	0.71
Absolute return[7]	1.98	0.12	0.38	-0.51	0.12	0.65	0.12

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.

Provisional figures for January this year suggest the mutual fund industry remains in expansion. Assets under management are reckoned to have grown by a modest 0.5% to 239 billion euros, with unit-holder numbers up by 150,000 to 8.4 million. The number of funds remains substantially unchanged.

Fund industry expansion carries over into 2017.

After years of solid improvement, the proportion of less-liquid assets in industry fixed-income portfolios levelled off over 2015 and 2016. In effect, less-liquid assets have moved in the range of 1.2%-1.4% in recent quarters, far from 2009's peak levels bordering on 9%. At the 2016 close, the sum of less-liquid assets was 2.96 billion euros or 1.24% of the total, the same percentage as in September that year and improving slightly on the 1.4% of the 2015 close. The stand-out development was the steady second-half decline in less-liquid assets in financial entities' fixed-income portfolios, which dropped by 471 million euros (-27.9%) between June and December. By contrast, the volume of asset-backed securities defined as less liquid rose by 45 million; not that high a sum, perhaps, but a large jump in relative terms from 59% to 73% of the securitisation portfolio.

The proportion of less-liquid assets in mutual fund portfolios settles at a reduced 1.2%.

Estimated liquidity of mutual fund assets

TABLE 14

	Less-liquid investments					
	Million euros			% total portfolio		
Type of asset	Jun 16	Sep 16	Dec 16	Jun 16	Sep 16	Dec 16
Financial fixed income rated AAA/AA	77	43	43	7%	4%	4%
Financial fixed income rated below AAA/AA	1,611	1,266	1,174	8%	6%	5%
Non-financial fixed income	463	627	760	4%	5%	6%
Securitisations	939	917	984	59%	62%	73%
AAA-rated securitisations	23	20	116	87%	87%	100%
Other securitisations	915	897	869	58%	61%	71%
Total	**3,089**	**2,852**	**2,960**	**8.6%**	**7.6%**	**7.7%**
% of mutual fund assets	**1.4**	**1.2**	**1.2**			

Source: CNMV.

Latest evaluation of the Financial Education Programme for students in secondary education

EXHIBIT 3

This programme is a cornerstone of the Financial Education Plan led since 2008 by Banco de España and the CNMV. It numbers among its priorities the promotion of financial education in schools, in line with the recommendations of the Organisation for Economic Cooperation and Development (OECD).

To this end, a programme was launched in 2010 aimed at students in compulsory secondary education (Educación Secundaria Obligatoria, ESO) to which schools can sign up on a voluntary basis. Lessons take place within normal teaching hours. Participating centres are provided with a teacher's manual and textbook for students, available from the Gepeese portal http://www.finanzasparatodos.es/gepeese/es/index.html. Textbook contents are organised into ten topics adapted to the financial literacy learning framework envisioned in the OECD's Programme for International Student Assessment (better known by the acronym PISA). These materials focus basically on savings, means of payment, dealing with banks and responsible consumption.

A series of evaluations have been run to measure the impact of the programme. The latest was conducted in the 2014-2015 academic year with pupils aged 14-15 in state and private secondary schools. The study design specified control and treatment groups, enabling comparisons to be drawn between students receiving financial instruction and the rest. The variables compared included financial knowledge, attitudes to money and saving or spending choices.

Some of the conclusions reached are described below:

- Students who had received the financial education course outperformed the others in financial knowledge tests.
- The programme was especially effective in improving students' understanding of "dealing with banks" (for instance, opening or cancelling a bank account, the consequences of being overdrawn or interpreting bank charges), but its influence was less evident in matters like savings, means of payment or responsible consumption.
- The financial education course delivered a significant increase in the proportion of students who discussed financial matters with their parents, lending weight to the idea that the programme can benefit not just the pupils taking it but also their families.
- The course changed students' attitudes with regard to time preferences for consumption, making them more "patient" when faced with hypothetical spending choices (i.e., with a higher proportion of students choosing future over present consumption).
- After taking the course, a higher percentage of students had taken on some paid work, suggesting that the programme may encourage students to get more involved in their families' financial lives.

Real estate schemes

Despite the improved climate for the construction industry and real estate business since 2015, the key variables of Spanish real estate schemes worsened slightly in the year.

Real estate schemes suffer a degree of setback in 2016…

Real estate funds, hit hardest by the crisis, shed 5.3% of their assets to close the year at 370.1 million euros. Behind the contraction were portfolio losses of 5.4% in full-year terms (-1.8% in the fourth quarter). Although this improves somewhat on the worst years of the crisis, it seems that the real estate upturn has so far failed to work through to fund returns. Investor numbers, finally, were essentially unchanged at the three funds remaining in the market.

… with funds in particular posting negative portfolio returns.

The number of real estate investment companies was likewise unchanged, with a total of six in operation at year-end 2016. Assets in this sub-sector grew by a bare 0.7% to 707.3 million euros, but the number of shareholders jumped from 583 to 682. The reason for this increase was that the last company joining the register, in 2015, recruited in large numbers between the months of April and September.

Despite virtually no change in assets, real estate investment companies see a leap in shareholder numbers.

Hedge funds

Hedge fund assets contracted 1.2% to end the month of November at 2.06 billion euros. By the 2016 close, 48 schemes had filed financial statements with the CNMV. This was the same total as one year before, but with hedge funds up from 37 to 41 and funds of hedge funds down from 11 to 7. This last sub-sector has been shrinking steadily since the start of the crisis, when there were 41 schemes in operation.

Assets in Spanish hedge funds fall by 1.2% in 2016 to somewhere over two billion euros.

Key variables of pure hedge funds varied little in the year. Assets under management summed 1.77 billion euros at end-November, just two million higher than at the 2015 close (see table 15), with a small net outflow (32 million euros) made up by a full-year portfolio gain of 1.75%. Unit-holder numbers, finally, were down by 5.3% to 2,925.

Pure hedge funds offset investment outflows via small portfolio gains.

Main hedge fund and fund of hedge fund variables

TABLE 15

				2016			
	2014	2015	2016	1Q	2Q	3Q	4Q[1]
HEDGE FUNDS							
Number	37	37	41	37	39	40	41
Unit-holders	2,819	3,089	2,925	3,011	2,928	2,916	2,925
Assets (million euros)	1,369.5	1,764.8	1,766.1	1,652.2	1,690.2	1,793.0	1,766.1
Return (%)	5.30	4.83	1.75	-1.30	-0.50	3.62	-0.01
FUNDS OF HEDGE FUNDS							
Number	18	11	7	11	10	10	7
Unit-holders	2,734	1,265	1,242	1,262	1,255	1,244	1,242
Assets (million euros)	345.4	319.8	292.8	306.3	290.7	286.7	292.8
Return (%)	8.48	6.16	0.00	-2.89	0.56	0.48	2.14

Source: CNMV.

1 Data to November 2016, except number of schemes, which are shown to December.

All fund of hedge fund variables continue in retreat (assets, and fund and unit-holder numbers).

Fund of hedge fund assets fell by 8.4% to 292.8 million euros, prolonging the downtrend of recent years. Despite the four funds of funds deregistering in 2016, the number of investors dropped by a lesser 1.8% to 1,242. Portfolio returns were negligible, finally, with late gains (2.1% between September and November) failing to make up the 2.9% losses of the first six months.

Foreign UCITS marketed in Spain

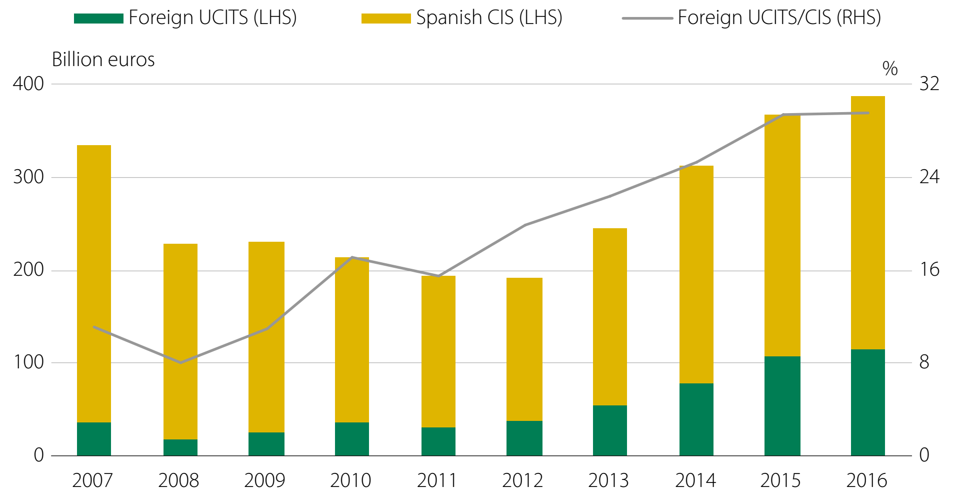
Foreign UCITS keep up the expansion begun in 2012 albeit with some levelling off.

The expansion enjoyed by foreign UCITS since mid 2012[19] continued in 2016 at an appreciably slower pace, with assets up by 6.4% (2.2% in the closing quarter) to 114.99 billion euros. As we can see from figure 20, this was 29.6% of all assets held in collective investment schemes marketed in Spain, on a par with the percentage of the 2015 close.

Mutual funds lead the advance with asset growth of 40%.

The advance was led by fund products, which grew their assets by 9.4% in the last quarter and 39.4% in the full-year period. Meantime, assets under management in companies, accounting for the bulk of investment, rose by a bare 0.9% to 93.65 billion euros. Investor numbers echoed this two-speed growth, with an increase of 24.8% in funds and 2.3% in the companies segment (5.3% and 0.4% from September to December), as far as a combined 1.75 million, 6.3% more than in December 2015. The number of schemes increased in both cases, with the 16 funds and 45 companies joining the CNMV registers in 2016 lifting the year-end total to 441 and 500 respectively. Most new entrants, as in previous years, came from Luxembourg or Ireland. This trend has continued into 2017, with nine new entrants so far giving an end-February total of 958.

Assets of foreign UCITS marketed in Spain FIGURE 20



Source: CNMV.

19 Investment by these schemes tripled between mid-2012 and end-2015.

Outlook

The collective investment industry has come back strongly since 2013 after a run of troubled years, but incremental growth is now noticeably slowing. And while it is true that collective investment should benefit for some time from the low interest rates in the economy, bond market turbulence and equity market volatility are risks to be reckoned with. These two factors have successively boosted products riskier than those normally favoured by Spanish investors, in the initial years of recovery, and then lured them back to supposedly safer funds in segments like fixed income.

Industry expansion can be expected to continue if interest rates stay at current lows, though financial market turbulence could undermine growth.

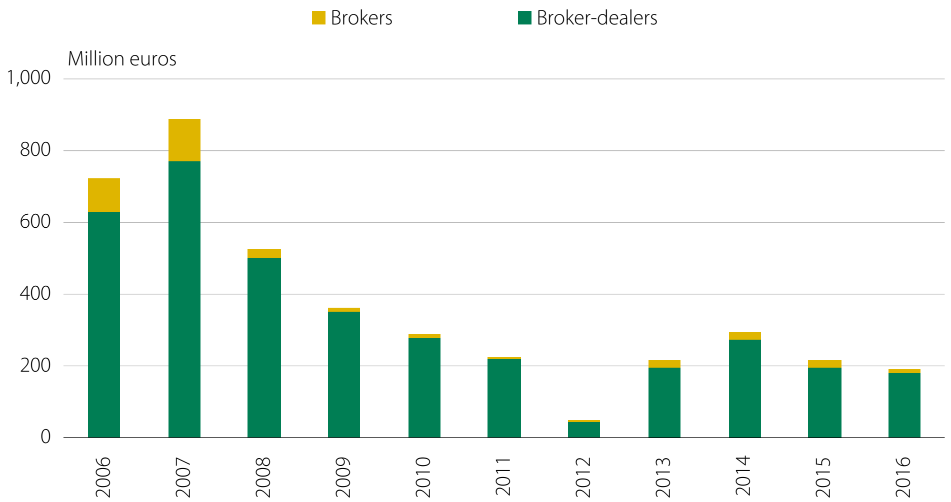
4.2 Investment firms

Broker-dealers and brokers

Spain's investment firms had to contend throughout the year with uncertain, unstable financial markets. This adverse climate made a large dent in sector earnings, which contracted 10.8% to a closing total of 195.2 million euros (see figure 21). This was the second consecutive fall after the solid advances of 2013 and 2014. The number of firms registered with the CNMV closed at 83[20], two more than at end-2015 as a result of eleven new entries and nine deregistrations. Of this total, 45 are passported to operate in other EU countries: six through a branch (the same number as in 2015); and 39 under the free provision of services (40 in 2015).

Investment firm earnings take a new hit in 2016 as markets experience fresh bouts of instability.

Investment firm pre-tax profits[1] FIGURE 21



Source: CNMV.

1 Except investment advisory firms and portfolio managers.

Broker-dealers, who contribute around 90% of sector earnings, experienced a yearlong fall in business, with aggregate pre-tax profits dropping by 6% to 181.2 million euros (see table 16). The decline was mainly localised in fee income and results from

Broker-dealer profits, at 181 million euros, are 6% lower than in 2015 on falling fee income…

20 Not including investment advisory firms, which have their own section further ahead.

financial operations. Fee income, specifically, was down 12.4% versus 2015 to 538.6 million euros. Fees from order processing and execution fell most steeply in absolute terms to 245.7 million at the 2016 close, 23.9% less than one year before. These fees remain by a distance the biggest earners for broker-dealers but now make up just 50% of the total compared to the 70% peak of 2010, due to the cut taken in brokerage fees. By contrast, fee income from CIS marketing, the second biggest item under this income statement caption, inched up 2.2% to 75.5 million euros (on top of the 17.4% growth of 2015). We should also highlight the 90% jump in fees for securities depositary and registration services to nearly 50 million euros, double the amount of 2015.

… and a slump in results from financial investments.

The other stand-out development above the net operating income line was the 51.7% slump in results from financial investments to 104.3 million euros. However, help was forthcoming in the shape of a 14.1% decrease in fee expense and a 79.1% increase in net exchange rate differences, which contained the gross income slide at 6.2%, for a year-end figure of 530.6 million euros. With operating expenses falling much more slowly than income (by 5% to 351.9 million euros), this gave a net operating income figure of 169.5 million euros, 9.2% less than in 2015.

Brokers' profits sink by over half, the main culprits being lower fee income and, to a lesser extent, a small increase in operating expenses.

Brokers felt the effects of market instability more acutely in the form of a 52.5% slump in pre-tax profits to 10.1 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. Specifically, fund fee volumes dropped by 5% to 50.5 million euros while order processing and execution fees receded by a steeper 24.1%, similar to the fall experienced by broker-dealers. Meantime portfolio management fees, which had faded in importance in recent years, came back with a 3.2% advance to 11.1 million euros. The result was a gross margin figure 7.2% lower than in 2015 at 108.2 million euros, while the abovementioned rise in operating expenses left net operating income down by 54.2% to 10.1 million euros.

Aggregate income statement (Dec 16) TABLE 16

	Broker dealers			Brokers		
Thousand euros	Dec 15	Dec 16	% change	Dec 15	Dec 16	% change
1. Net interest income	55,570	53,930	-3.0	884	903	2.1
2. Net fee income	422,542	373,552	-11.6	113,904	108,111	-5.1
2.1. Fee income	614,705	538,586	-12.4	135,320	129,682	-4.2
2.1.1. Order processing and execution	322,857	245,700	-23.9	31,845	24,181	-24.1
2.1.2. Issue placement and underwriting	11,556	5,955	-48.5	3,829	3,193	-16.6
2.1.3. Securities administration and custody	24,358	47,843	96.4	521	603	15.7
2.1.4. Portfolio management	22,541	23,738	5.3	10,711	11,054	3.2
2.1.5. Investment advising	2,930	2,547	-13.1	7,636	8,614	12.8
2.1.6. Search and placement	1,497	2,155	44.0	216	40	-81.5
2.1.7. Margin trading	0	0	-	0	0	-
2.1.8. CIS marketing	73,889	75,505	2.2	53,169	50,504	-5.0
2.1.9. Others	155,077	135,143	-12.9	27,393	31,494	15.0
2.2. Fee expense	192,163	165,034	-14.1	21,416	21,571	0.7

Thousand euros	Broker dealers Dec 15	Dec 16	% change	Brokers Dec 15	Dec 16	% change
3. Results of financial investments	215,861	104,292	-51.7	592	245	-58.6
4. Net exchange differences	-142,545	-29,731	79.1	730	154	-78.9
5. Other operating income and expense	14,345	28,554	99.1	467	-1,184	-
GROSS INCOME	**565,773**	**530,597**	**-6.2**	**116,577**	**108,229**	**-7.2**
6. Operating expenses	370,419	351,951	-5.0	93,222	95,142	2.1
7. Depreciation and other charges	12,222	10,451	-14.5	1,180	2,891	145.0
8. Impairment losses	-3,643	-1,304	64.2	27	56	107.4
NET OPERATING INCOME	**186,771**	**169,499**	**-9.2**	**22,148**	**10,140**	**-54.2**
9. Other profit and loss	6,005	11,695	94.8	633	682	7.7
PROFITS BEFORE TAXES	**192,776**	**181,194**	**-6.0**	**22,781**	**10,822**	**-52.5**
10. Corporate income tax	51,485	40,673	-21.0	5,515	3,840	-30.4
PROFITS FROM ONGOING ACTIVITIES	**141,291**	**140,521**	**-0.5**	**17,266**	**6,982**	**-59.6**
11. Profits from discontinued activities	0	0	-	0	0	-
NET PROFIT FOR THE YEAR	**141,291**	**140,521**	**-0.5**	**17,266**	**6,982**	**-59.6**

Source: CNMV.

Profitability ratios edge ahead despite falling sector earnings.

The return on equity (ROE) of investment firms edged up from 15.3% at the 2015 close to 16% in 2016 despite the drop in sector earnings. The advance owed entirely to broker-dealers who grew their ROE more than one percentage point to 16.2%. Brokers, meantime, suffered a heavy dent in profitability, with ROE deteriorating from 21.5% to 11.5% (see left-hand panel of figure 22).

Improved statistics for loss-making firms (two fewer) and the volume of their losses (-11%).

The number of loss-making entities closed at 18, compared to 20 at end-2015. Specifically, 7 broker-dealers and 11 brokers reported losses in the year, one fewer in both cases than at the 2015 close (see right-hand panel of figure 22). The cumulative losses of these firms totalled 16.4 million euros, 11.4% less than in the previous year.

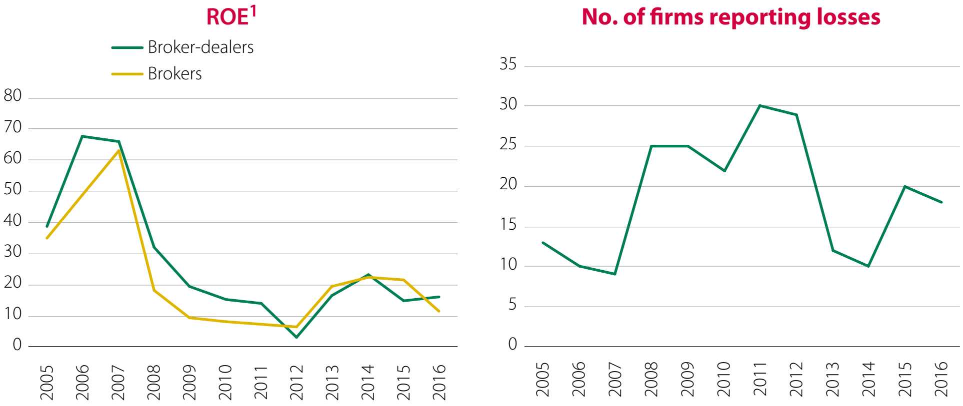
Sector solvency conditions remain acceptable through 2016.

Investment firms' solvency conditions remained acceptable throughout the year. The capital adequacy ratio at firms that have to file solvency statements[21], calculated as regulatory capital over the minimum capital requirement, held more or less flat between December 2015 and December 2016 at 4.7 for broker dealers (4.8 last year) and 2.3 for brokers (up from 2.2%) (see figure 23). It should be said, however, that these comfortable margins are calculated on the basis of relatively small quantities of own funds, especially in the broker segment.

21 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 12 of the 83 firms registered with the CNMV.

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

FIGURE 22

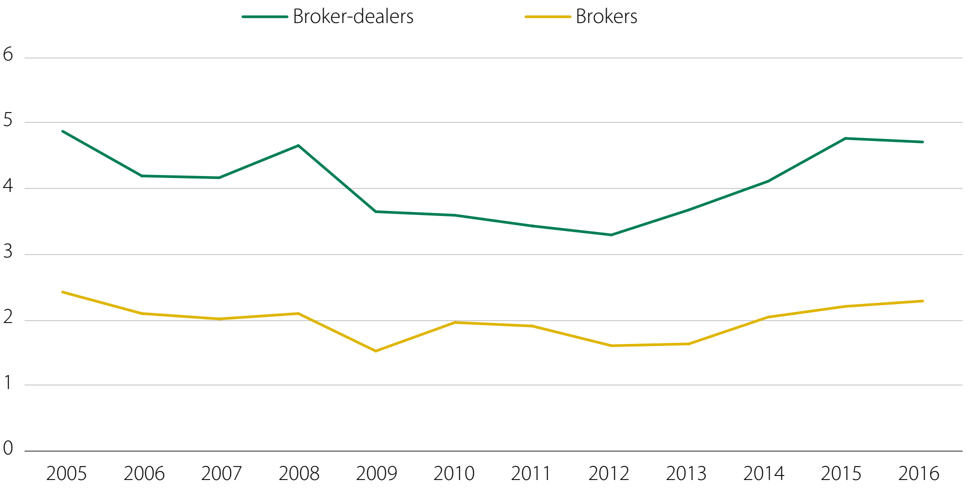


Source: CNMV.

1 ROE based on pre-tax earnings.

Investment firm capital adequacy (surplus of regulatory capital over minimum requirement,%)

FIGURE 23



Source: CNMV.

Investment advisory firms

Investment advisory firms forge ahead with an 11% increase in assets under advice.

Investment advisory firms continued to grow their business throughout 2016. Assets under advice, at 28.2 billion euros, were up by 11% with respect to the 2015 close, practically doubling the figure for 2012. As we can see from table 17, the sector's customer mix was broadly as before, with retail investors' assets accounting for 26.4% (26.7% in 2015), professionals for 19.2% (20.1% in 2015) and eligible counterparties[22] for 54.4% ("others" heading).

Fee income, however, contracts by 8.2% in the year.

Despite the higher asset volumes under advice, fee income decreased by 8.2% in the year to 52.1 million euros, with fees charged directly to clients leading the decline (down 10.4% against the 2.3% increase in fees from other segments). Finally, six more firms entered the business in 2016 for a year-end total of 160.

22 Eligible counterparty is the definition the MiFID traditionally reserves for banks, other financial institutions and governments as investors in need of less protection.

Main investment advisory firm variables*

TABLE 17

Thousand euros	2014	2015	2016	% change 16/15
NUMBER OF FIRMS	**143**	**154**	**160**	**3.9**
ASSETS UNDER ADVICE[1]	**21,379,858**	**25,366,197**	**28,154,829**	**11.0**
Retail customers	5,707,640	6,777,181	7,435,241	9.7
Professional customers	4,828,459	5,109,979	5,413,702	5.9
Others	10,843,759	13,479,037	15,305,886	13.6
NUMBER OF CUSTOMERS[1,2]	**4,635**	**5,544**	**5,895**	**6.3**
Retail customers	4,319	5,156	5,476	6.2
Professional customers	276	319	326	2.2
Others	40	69	93	34.8
FEE INCOME[3]	**47,616**	**56,726**	**52,050**	**-8.2**
Fees received	**47,037**	**55,781**	**51,314**	**-8.0**
From customers	37,940	45,180	40,464	-10.4
From other entities	9,098	10,602	10,850	2.3
Other income	**579**	**945**	**736**	**-22.1**
EQUITY	**26,454**	**25,107**	**40,255**	**60.3**
Share capital	5,576	5,881	6,834	16.2
Reserves and retained earnings	8,993	7,585	27,127	257.6
Profit/loss for the year	11,885	11,531	7,988	-30.7
Other own funds	–	76	-1,694	–

* Provisional data (except number of entities) based on data from 94% of IAFs registered with the CNMV.

1 Period-end data at market value.

2 Pre-2015 figures refer to number of contracts.

3 Cumulative figures for the period

Outlook

Two main factors are weighing on investment firm business after several years of growth. Equity market instability is one, since firms' main business lines rely heavily on trading activity. Another is the growing penetration of domestic banks in traditional investment firm activities, which is eating into fee income from order processing and execution. It bears mention, finally, that the restructuring of Spain's financial system has had little real impact on the sector: only one of the nine deregistrations recorded in 2016 was the result of a takeover (the remainder resulting from a change in corporate form or else dissolution), compared to two in 2015.

The main risks for investment service providers have to do with unstable equity markets and growing encroachment from the banks.

Measures regarding the marketing to retail clients of CFDs and other speculative products

EXHIBIT 4

In Spain and other European countries, we see more and more cases of financial intermediaries marketing increasingly complex and risky products to retail clients. These include contracts for difference (CFDs), rolling spot foreign exchange ("forex products" for the purposes of this exhibit) and binary options.

The sale of such products to retail customers has long been a cause of concern for the CNMV. In October 2014, it issued a warning about the risk or, indeed, the likelihood of customers suffering losses on CFDs[1], and in July 2016, coinciding with an ESMA communication on transacting in CFDs, binary options and other speculative instruments, it issued a further warning about the risks attached to trading in these products.

CFDs, forex products and binary options, and their attendant risks, are hard to grasp for most retail investors. According to studies carried out by the CNMV and other securities supervisors, the vast majority of retail clients dealing in them systematically lose money. The latest CNMV study, run from 1 January 2015 to 30 September 2016, found that losses extended to 82% of customers trading in CFDs. The combined losses of 30,656 customers, including transaction costs and fees, summed 142 million euros (an overall 52 million in straight losses and a further 90 million in fees and other costs).

This being so, some European Union countries have proposed, and in some cases implemented initiatives to, for example, limit the level of leverage available to clients trading in this kind of product or restrict their sale by imposing constraints on their advertising or their distance selling through call centres.

Without ruling out future actions along these lines, the CNMV has just launched a series of measures to strengthen the protection of retail investors in Spain acquiring CFDs, forex products or binary options:

- The CNMV has imposed the following requirements on providers offering CFDs or forex products with a leverage ratio higher than 10:1 or offering binary options to retail clients established in Spain, when such offers are not within the scope of an investment advisory service:

  – They must warn clients expressly that the CNMV considers such products to be inappropriate for retail investors in view of their complexity and risk.

  – Also, they must inform clients about the costs they will incur if they decide to close their position shortly after taking out the product. In the case of CFDs and forex products, clients should be advised that the leverage effect can cause losses steeper than their initial outlay on acquiring the product.

  – They should procure from their clients either a written or recorded verbal statement which proves they are aware that the product they are about to acquire is particularly complex and that the CNMV considers it inappropriate for retail investors.

  – The advertising materials used by intermediaries to promote CFDs, forex products or binary options should always carry a warning about the difficulty of understanding these products and the fact that the CNMV considers that their complexity and risk makes them inappropriate for retail investors.

  The providers bound by these requirements must adapt their procedures and systems so they can issue the above warnings and procure the written or verbal statements as soon as possible, and certainly within one month of receiving the corresponding notification.

- The CNMV intends to approach securities supervisors in other countries so they impose the same warnings and requirements on intermediaries registered in their jurisdictions who market this kind of product to Spanish clients under the free provision of services.

Through ESMA, the CNMV will actively champion the coordinated adoption of measures at European level in order to strengthen investor protection in this domain.

1 A warning also reproduced in the CNMV Bulletin for the third quarter of 2014, and the CNMV annual report for the same year.

4.3 CIS management companies

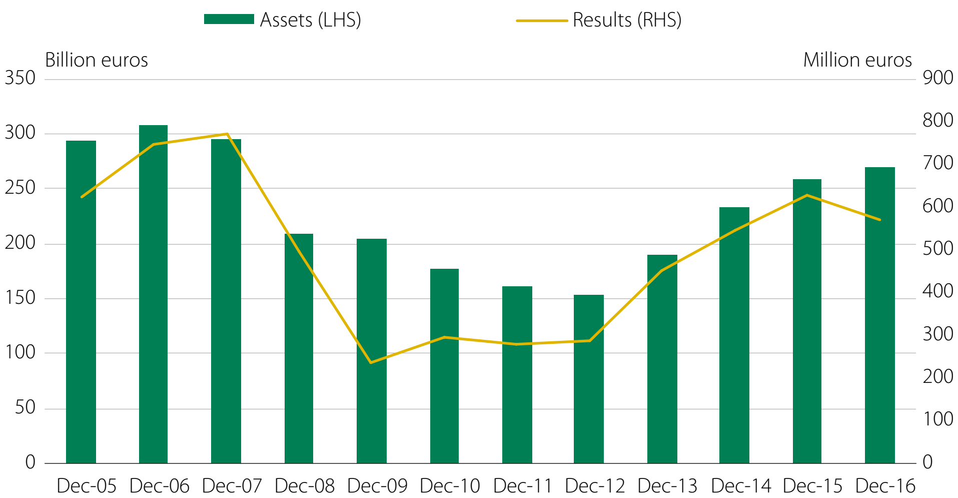
After a slow first half, CIS management companies fight back with asset growth bordering on 5%...

Management companies shook off the business slowdown of the first six months to close with over 272 billion euros in assets under management, 4.8% more than in 2015. The sector thus prolongs the recovery begun in 2013 after several years' decline (see figure 24). Over 90% of this advance traced to securities investment funds which, as stated elsewhere, grew their assets by more than 7%. It is also important to remember that this is a heavily concentrated sector: the three biggest managers commanded a combined 43% of total managed assets at mid-2016, little changed from the level recorded at end-2015.

… but lower average management fees prevent this feeding through to profits.

Aggregate pre-tax profits, at 600.8 million euros, were nonetheless 4.1% lower than in 2015, reflecting the combined effect of increased operating expenses (up 10.8%) and falling fee income (-2.3%). Income from CIS management fees, companies largest-earning item, fell 3.9% due to a drop in the average management fee from 0.95 to 0.87% of assets (see table 18). The difference here is mainly explained by the shift in the fund mix to less risky categories which tend to carry lower fees. Management company ROE, at 55%, was on a par with the levels of the 2015 close. Finally, the number in losses rose from 11 to 13 in the year, while the volume of their combined losses more than doubled to 7.4 million euros.

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



Source: CNMV.

With sector reorganisation laid to rest, the number of CIS managers starts to recover.

Sector reorganisation, begun in the wake of the restructuring of the Spanish financial system, now seems to be nearing its end. In 2016, only one closure was attributable to this process. Meantime six new companies entered the register, for a year-end total of 101, joined by three more in January and February this year.

CIS management companies: Assets under management, Management fees and fee ratio TABLE 18

Million euros	Assets under management	CIS management fee income	Average CIS management fee (%)	Fee ratio (%)[1]
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	2,442	0.95	63.7
2016	272,782	2,347	0.87	61.7

Source: CNMV.

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

4.4 Other intermediaries: Venture capital

The year sees the advent of more closed-ended investment vehicles created under Law 22/2014 to promote venture capital as an alternative financing route.

Law 22/2014 of 12 November allowed the creation of new types of vehicle to promote venture capital as an alternative financing route. The first fifteen of these vehicles appeared in 2015, comprising eight SME venture capital funds, six SME venture capital companies and one closed-ended collective investment company, joined in 2016 by a further three, eight and five respectively. The year also saw the first deregistration of a new-generation vehicle, concretely an SME venture capital company, and the creation of the first two European venture capital funds and the first closed-ended collective investment fund (see table 19).

The number of traditional vehicles also rises, lifting the total of venture capital schemes in operation to 291, 26 more than at end-2015.

Among "traditional" vehicles, the year ended with 166 venture capital funds in operation after 23 entries and five closures, while the number of venture capital companies dropped to 99 after 10 entries and 14 deregistrations. The total number of venture capital schemes (not including closed-ended vehicles) was accordingly 291 at 31 December 2016, compared to 265 at end-2015. At the same date there were seven closed-ended vehicles, six companies and a fund, as well as 81 closed-ended investment scheme management companies (a term that includes the old venture capital management companies), after ten entries and six closures.

Sector expansion continues into 2017.

The first two months of 2017 brought further movements in the list of venture capital schemes, producing an end-February total of 294 in operation (180 funds and 114 companies), alongside 84 closed-ended investment scheme management companies and the same seven closed-ended vehicles. Finally, the addition of one new SME venture capital fund lifted their number to 13 at the February close.

Movements in the venture capital entity register in 2016 TABLE 19

	Situation at 31/12/2015	Entries	Retirals	Situation at 31/12/2016
Entities				
Venture capital funds	148	23	5	166
SME venture capital funds	8	3	0	11
European venture capital funds	0	2	0	2
Venture capital companies	103	10	14	99
SME venture capital companies	6	8	1	13
Total venture capital entities	**265**	**19**	**10**	**291**
Closed-ended collective investment funds	0	1	0	1
Closed-ended collective investment companies	1	5	0	6
Total closed-ended collective investment entities	**1**	**6**	**0**	**7**
Closed-ended investment scheme management companies[1]	**77**	**10**	**6**	**81**

Source: CNMV.

1 A name that now applies to both the old venture capital scheme management companies and the management companies of the new closed-ended investment schemes.

Investment in the venture capital industry amounts to 2.99 billion euros in 2016, 3% more than in 2015, after a run of major deals in the closing months.

Preliminary data from the Spanish Venture Capital Entity Association (ASCRI) for the second half of 2016 suggest that the industry has come back strongly after a nine-month lull marked by political uncertainty and a dearth of major operations. In effect, the closing months brought a run of seven large-scale deals (in excess of 100 million euros), all closed by international operators, which helped carry annual investment volumes to 2.99 billion euros, 3% more than in 2015. In the meantime, midmarket transactions (between 10 and 100 million euros) sank 30.9% in volume terms, leaving small-scale deals as once more the market norm, accounting for 88.4% of all transactions.

A successful fundraising effort led by public funds Innvierte and FOND-ICO Global.

By phase, the bulk of deals (75%) were in venture capital (seed and start-up), with a total of 436 in the year, though their share of total investment volume was a meagre 13%. One welcome development was the successful fundraising drive by Spanish private operators, which brought in over two billion euros, 52% more than in 2015. Much of this advance can be laid at the door of public funds Innvierte and FOND-ICO Global.

II Reports and analysis

Alternative performance measures

Óscar Casado Galán (*)

(*) Óscar Casado is deputy director of the CNMV's Financial and Corporate Reports Department.

1 Introduction

Alternative performance measures are financial measures of historical or future financial performance, financial position, or cash flows of an entity that are not defined in the applicable financial reporting framework.

In this article, I shall refer to them as APMs, as used in the ESMA Guidelines on Alternative Performance Measures published in October 2015, which are applicable in the European Union. The IASB and IOSCO usually use the term non-GAAP measures[1] to refer to these measures.

APMs are usually derived from the information contained in financial statements prepared in accordance with the applicable financial reporting framework, most of the time by adding or subtracting amounts from the figures presented in financial statements. One of the most widely used APMs is EBITDA - earnings before interest, taxes, depreciation and amortisation. This measure is not defined either in International Financial Reporting Standards (IFRS) or in the Spanish General Accounting Plan, which are applicable, respectively, to the consolidated and individual financial statements of entities with securities admitted to trading on regulated Spanish markets.

There are many other APMs in addition to EBITDA, such as adjusted earnings, operating earnings, net financial debt, figures relating to working capital and/or liquidity and free cash flow.

Both in Spain and in the rest of the world, issuers increasingly use APMs and there is evidence, as discussed below in this article, that this increasing use of APMs has not gone hand-in-hand with sufficient emphasis on the informative quality of these measures, which are sometimes used without proper transparency with regard to their methodology and their labels. This makes it difficult to reconcile them with the measures or items recorded directly in the financial statements. In addition, such APMs are often presented in a disproportionately prominent manner.

It is no wonder, therefore, that this has led to concern among the users of financial information and a reaction by both securities supervisors and the IASB, which have been developing several initiatives over recent years to establish principles and clarify the use of APMs.

This article analyses the level of use of APMs and the problems caused by their improper use and it provides details on the responses provided by securities market regulators and the issuers of accounting standards aimed at improving the informa-

1 GAAP refers to generally accepted accounting principles.

tion disclosed in the APMs and therefore achieving greater reliability and comprehensibility of APMs. In particular, a major part of this article will focus on an analysis of the ESMA guidelines, which, as indicated above, are already in force and compliance with said guidelines in the 2016 financial reporting will be reviewed by the competent European authorities, including the CNMV.

With regard to the organisation of the article, Sections 2 and 3 focus, respectively, on the empirical evidence of the increasing use of APMs and the main disclosure problems detected. The following three sections analyse the initiatives of securities supervisors and the IASB, paying particular attention, in Section 5, to ESMA guidelines. Section 7 addresses the reassessment of the use of APMs that issuers should carry out and, in particular, the role to be played by the audit committee in this task. The article closes with a section of conclusions.

2 Increasing use of APMs

Various studies have revealed a significant increase in the use of APMs by issuers when they report the evolution of their returns or performance to the market.

For example, the analysis conducted by Black, Christensen, Ciesielski and Whipple[2] revealed that the use of APMs had increased by 35% between 2009 and 2014 in a sample of companies belonging to the standard and Poor's 500 index. While 52.5% of the companies had used at least one APM in 2009, this percentage rose to 70.9% in 2014.

Also significant is the study published by Audit Analytics[3] in December 2015, which analysed the reporting of results of companies belonging to the Standard and Poor's 500 index in the period between July and September 2015. This study showed that 88% of the companies analysed incorporated APMs in their earnings releases. 71% of these companies presented at least one profit-related APM, and 28% at least one relating to cash flows.

This level of penetration of the use of APMs can also be seen in Europe, although the number of studies in this regard is much lower. According to an analysis published by PwC in 2016[4], 95% of FTSE 100 companies disclosed an adjusted profit number in their most recent annual reports.

The CNMV has also noted the high level of use of these measures when reviewing the financial information of companies listed on regulated markets, which includes an analysis of compliance with guidelines on APMs. This review revealed that 81%

2 Dirk E. Black, Theodore E. Christensen, Jack T. Ciesielski and Benjamin C. Whipple, *Non-GAAP reporting: A comparability crisis,* Tuck School of Business Working Paper No. 2759312, 31 May 2016.

3 Derryck Coleman and Olga Usvyatsky, *Trends in non-GAAP disclosures,* Audit Analytics, December 2015.

4 http://www.pwc.co.uk/services/audit-assurance/insights/alternative-performance-measure-reporting-practices-in-ftse-100.html. January 2016. The analysis was performed on annual reports with year-ends from 1 April 2014 to 31 March 2015.

of the companies used APMs in the regulated financial information other than the financial statements (management reports, interim management statements, presentations on performance disseminated as a significant event, etc)[5].

Not only is the fact that a substantial majority of the companies use APMs to describe the evolution of their performance relevant, but also the evidence that the APMs consistently show more positive performance of the companies than the measures directly obtained using the applicable financial reporting framework.

In this regard, the study published by Audit Analytics showed that 82% of the companies that calculated an adjusted profit APM produced a higher figure than that calculated according to the applicable financial reporting framework. In the study performed by PwC, the percentage of companies whose adjusted profit was higher than the profit calculated under the applicable financial reporting framework amounted to 87%.

The increase in the use of APMs can be justified for various complementary reasons. The most important are as follows:

- IFRS establish a principle-based accounting framework, but not regulated templates for financial statements. Companies need to develop APMs in order to report their most important margins.

- Companies wish to provide their investors with the true factors that reflect the evolution of their performance and which are specific to their business model. In addition, they want to show the performance that is sustainable over time by eliminating items that are non-recurring.

- This produces a demonstration effect: a company in a sector starts to disclose an APM specific to its business and the analysts covering that sector start to request this measure from other companies in the sector.

- Companies aim to improve the evolution of their figures and soften their evolution over time. Hans Hoogervorst, the IASB Chairman, addressed this issue in his speech at the AICPA conference on 6 December 2016[6], when he stated that "we do not intend to ban alternative performance measures, because some of them clearly have added value. Yet, we share the SEC's concern that non-GAAP generally paints a rosier picture of a company's performance than GAAP".

There therefore seem to be two categories of reasons for the use of APMs: i) those that truly aim to increase the usefulness of the information provided to investors and (ii) those that are simply opportunistic. From the point of view of securities

5 The CNMV report on the supervision of 2015 annual financial reports includes additional information on this matter. An analysis of disclosures relating to APMs was conducted on a specific sample of 68 companies, which included all the Ibex 35 companies.

6 The speech is available at this link: http://www.ifrs.org/About-us/IASB/Members/Documents/AICPA-speech-HH.pdf

market transparency, the second category is clearly of concern because it leads to entities providing misleading information.

The widespread use of APMs and the lack of sufficient information on their preparation and presentation have led to a situation in which many securities regulators, but also accounting standard setters, have decided that action needs to be taken in order to correct inappropriate practices.

3 Main problems in the communication of APMs

We therefore start with the widespread situation throughout the world in which issuers present APMs when reporting their results. Entities include figures in their reporting whose calculation is not defined by the applicable financial or regulatory reporting framework by adding or subtracting different items to or from the figures calculated in accordance with said framework.

This situation is particularly problematic in the absence of adequate disclosures, particularly on their definition and how they are calculated. It is common for APMs to be reported without disclosing the specific manner in which the figure has been obtained or the items that have been included or excluded from the financial statements in order to calculate them. It is even more common for no reasons to be provided explaining why such adjustments were considered appropriate.

The lack of adequate disclosures prevents the figures presented by the entity being compared, which opens the possibility for them to be used opportunistically. It is also common for APMs not to be disclosed in the annual or half-yearly financial statements prepared in accordance with applicable accounting standards, and therefore not reviewed by the entity's auditors[7].

Insufficient transparency in the presentation and use of APMs has led to practices in which issuers do not use a consistent calculation method over time, which hinders both historical comparison and comparison with similar entities.

In addition, it has been noted that the prominence given to APMs is also problematic. The message of entities on the evolution of their performance should not focus on figures calculated by means of APMs, which should, where appropriate, supplement the information taken from the financial statements.

Unsurprisingly, investors have expressed their concern about these practices. Particularly relevant in this regard is the report published in September 2016 by the CFA Institute[8] on the use of APMs, which focuses on an analysis of the expectations and concerns that these measures generate and includes a survey completed by 558

7 Although securities market legislation does not establish the requirement for half-yearly financial statements to be reviewed by auditors, entities normally voluntarily request at least a limited review.

8 Vincent T. Papa and Sandra J. Peters, *Investor uses, expectations, and concerns on non-GAAP financial measures,* CFA Institute, September 2016.

of its members. This survey confirms that investors have concerns around the communication, consistency, comparability across periods and similar companies, and transparency of APMs. It also concludes that they are particularly concerned about the lack of information on the reconciliation of APMs with directly comparable figures in the financial statements, as well as inadequate disclosures on the adjustments made in calculating APMs.

4 Response of securities market supervisors

The supervisors of security markets have been paying attention to the use of APMs for almost two decades. Given their global nature, I will refer to the initiatives of ESMA and IOSCO and, as it is the supervisor of the market with the highest stock market capitalisation, the declarations of the SEC. In chronological order, the following documents are relevant:

– SEC Release in December 2001[9] regarding the use of "Pro Forma" financial information by listed companies in earnings releases. In 2003, following approval of the Sarbanes-Oxley Act, the SEC issued a series of rules on the use of non-GAAP financial measures through the amendment of Regulation G.

– IOSCO Cautionary Statement Regarding Non-GAAP Results Measures of 19 May 2002 recommended that issuers and users of financial information should be cautious in presenting and interpreting, respectively, non-GAAP measures[10].

– Committee of European Securities Regulators (predecessor of ESMA) Recommendation of October 2005, which included several proposals to encourage European listed companies which decide to disclose APMs in their earnings releases to do so in a way that is appropriate and useful for investors' decision-making[11].

The increased use of APM subsequently led regulators to go one step further in their supervision. In this regard, the period of 2015-2016 was a turning point in the issuing and/or updating of guides on the use of APMs. Three documents can be highlighted:

– DESMA Guidelines on Alternative Performance Measures published in June 2015[12].

9 The document can be accessed at the following link: https://www.sec.gov/rules/other/33-8039.htm

10 The document can be accessed at the following link: https://www.iosco.org/news/pdf/IOSCONEWS4.pdf

11 The document can be accessed at the following link: https://www.esma.europa.eu/sites/default/files/library/2015/11/05_178b.pdf

12 The document can be accessed at the following link: https://www.esma.europa.eu/press-news/esma-news/esma-publishes-final-guidelines-alternative-performance-measures

– Update of the SEC's Compliance & Disclosures Interpretations (C&DIs) on the use of non-GAAP financial measures[13].

– IOSCO Statement on Non-GAAP Financial Measures published in June 2016[14].

These documents do not intend to limit the use of APMs, as they provide relevant information to investors, but to establish principles which when followed promote the usefulness and transparency of the reported APMs without compromising the quality of the financial information.

However, it is clear that simply publishing these principles is not enough to change the behaviour of issuers. Supervisors of security markets need to show a clear commitment towards reviewing and requiring compliance with these principles.

In this regard, it is worth highlighting that the ESMA guidelines were issued pursuant to Article 16 of Regulation (EU) No 1095/2010, of the European Parliament of the Council, of 24 November 2010 establishing a European Supervisory Authority (ESMA). This article indicates that with a view to establishing consistent, efficient and effective supervisory practices within the European system of financial supervision, and to ensuring the common, uniform and consistent application of EU law, ESMA shall issue guidelines and recommendations addressed to competent authorities or financial market participants. These guidelines do not establish additional obligations in order to comply with requirements established by European regulations and/or directives.

The competent authorities and financial market participants shall make every effort to comply with those guidelines and recommendations. In this regard, on 5 January 2016, an ESMA publication stated that all competent authorities must comply with its guidelines or intend to do so by a specific date, the vast majority on 3 July 2016 or earlier.

Competent authorities have to incorporate these guidelines in their supervisory practices and verify whether issuers or persons responsible for prospectuses comply with them.

In addition, on 28 October 2016, ESMA published the common enforcement priorities for 2016 financial statements[15]. These priorities were agreed between ESMA and the competent national authorities in order to supervise financial information.

One of the aspects on which the review of financial information will focus is the presentation of financial performance, and APMs are explicitly mentioned. The aim is to ensure the usefulness and transparency of APMs included in prospectuses,

13 The document can be accessed at the following link: https://www.sec.gov/divisions/corpfin/guidance/nongaapinterp.htm

14 The document can be accessed at the following link: https://www.iosco.org/library/pubdocs/pdf/IOSCOPD532.pdf

15 The document can be accessed at the following link: https://www.esma.europa.eu/sites/default/files/library/esma-2016-1528_european_common_enforcement_priorities_for_2016.pdf

management reports and market disclosures, and issuers are reminded that enforcers will monitor the compliance of issuers with ESMA guidelines on APMs.

In addition, as a result of the actions performed in 2016, where the CNMV detected numerous aspects of the application of the guidelines that need to be improved, it decided to establish monitoring of compliance with these guidelines as an independent priority area for 2017.

5 Principles included in the ESMA guidelines to improve disclosures of APMs

As indicated above, the guidelines state that APMs are financial measures of an entity's historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The aim of the guidelines is to encourage European issuers to publish transparent, unbiased and comparable information on their financial performance so that users of financial information can have full knowledge of said performance.

The guidelines establish principles that issuers must follow when presenting APMs in documents classified as regulated information and in prospectuses, and include criteria for the corresponding labels, definition, presentation and comparability.

The guidelines do not apply to the alternative performance measures disclosed in financial statements or prepared in accordance with specific legislation. For example, the guidelines would not apply to prudential measures directly included in European legislation on capital requirements (Directive 36/213 – CRD IV – and Regulation 275/2013 – CRR)[16].

Examples of regulated information include interim management statements and management reports, disclosed to the market in accordance with the Transparency Directive[17], and disclosures issued under the requirements of Article 17 of the Market Abuse Regulation[18], for example disclosures including financial earnings results.

It should be clarified that if an APM is disclosed in a financial statement prepared in accordance with the financial reporting framework, but also outside the statement,

16 Directive 2013/36/EU, of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, and 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 and amending Regulation (EU) No. 648/2012, respectively.

17 Directive 2004/109/EC - transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

18 Regulation (EU) No 596/2014, of the European Parliament and of the Council, of 16 April 2014, on market abuse (market abuse regulation) and repealing Directive 2003/6/EC, of the European Parliament and of the Council, and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

for example because it is included in the management report, the guidelines will apply to the information disclosed on the APM in the management report, without prejudice to the exceptions provided in the guidelines themselves.

According to the definition of APMs, the guidelines do not apply in the following cases:

- Measures defined or specified by the applicable financial reporting framework, such as revenue, profit or loss or earnings per share.

- Physical or non-financial measures, such as number of employees, number of subscribers, sales per square meter (when sales figures are extracted directly from financial statements) or social and environmental measures such as greenhouse gases emissions.

- Information on major shareholdings or number of voting rights.

- Information to explain compliance with the terms of an agreement or legislative requirement, such as lending covenants or the basis of calculating the remuneration of directors or executives.

In order to comply with the principles established in the guidelines, on disclosing APMs, issuers should:

- Define the measures used and their components as well as the basis of calculation adopted.

- Disclose their definitions in a clear and readable way with meaningful labels reflecting their content and basis of calculation.

  Issuers should not use labels defined in the applicable financial reporting framework that are the same or confusingly similar when referring to APMs.

  One fundamental aspect that leads to many failures to comply with the guidelines is mislabelling items as “non-recurring”, “infrequent”, or “unusual”. The guidelines explicitly state that items that affected past periods and may affect future periods will rarely be considered as non-recurring, infrequent or unusual, such as restructuring costs or impairment losses.

  In this regard, it is useful to refer to the regulation of the SEC, which is more explicit and includes a time reference for an item to be labelled as non-recurring: charges or gains may not be labelled non-recurring, infrequent or unusual if they are reasonably likely to recur within two years or there was a similar charge or gain within the previous two years.

  Compliance with this aspect is likely to be problematic as the guidelines represent a change in attitude compared with entities’ usual practice. Labelling certain items as non-recurring is not banned, but its use is significantly restricted.

– Reconcile APMs to the most directly reconcilable line item, subtotal or total.

It seems reasonable to conclude that this reconciliation should be conducted with an explanation of the nature of the items being adjusted, particularly where only a part of the items making up a heading in the financial statements is eliminated in order to calculate a certain APM. For example, if an entity subtracts part (but not all) of the operating expenses from an income statement subtotal, it should indicate the nature of these expenses in order to explain why some of these operating expenses are eliminated and others are not.

With regard to the need to present a reconciliation, the guidelines establish an exception in the case of APMs directly identifiable from the financial statements, for example when an APM is a total or subtotal presented in the financial statements. This seems reasonable as the reconciliation in such cases is explicitly provided in the financial statement itself.

Where an APM is not reconcilable because it does not derive from the financial statements, such as profit estimates or future projections, the issuer should provide an explanation about the consistency of the calculation of that APM with the accounting policies used when preparing its financial statements.

– Explain their use in order to allow users to understand their relevance and reliability.

Issuers should explain why an APM should be used to reflect the evolution of its performance instead of using one of the figures required by the applicable financial reporting framework. Specifically, they should explain why it provides useful additional information to investors.

– Not display APMs with more prominence, emphasis or authority than measures directly stemming from financial statements.

The financial information based on APMs may supplement that deriving from the financial statements, but under no circumstances may it replace it or be presented with more emphasis.

This principle of not displaying the APMs with more prominence will undoubtedly be one of the most controversial, bearing in mind that it is a subjective concept and the guidelines do not specify in detail how to comply with this principle. In this regard, the professional judgement of the entities' management will be even more relevant.

In contrast, the SEC Compliance & Disclosure Interpretations on the use of non-GAAP financial measures, updated on 17 May 2016, do provide examples of failures to comply.

Among other situations, the SEC indicates that a non-GAAP measure is more prominent than the most directly comparable measure defined by US GAAP if: (i) a style of presentation is used that emphasises the APM over the GAAP measure, for example bold or larger font; (ii) an analysis of the APM is provided but not a similar analysis for the comparable GAAP measure in a location with equal or greater prominence; (iii) the GAAP measure is omitted from a section that includes the APM; iv) the APM is presented prior to the GAAP measure; v) tabular disclosure of the APM is provided without preceding it with an equally prominent tabular disclosure of the comparable GAAP measure or including the GAAP measure in the same table; vi) the APM is described as, for example "exceptional" or "record performance" without at least an equally prominent descriptive characterisation of the comparable GAAP measure.

– Provide comparatives for the corresponding previous periods.

  Where it is impractical to provide comparative figures, the guidelines require that its impracticality should be disclosed and the reasons why it is impractical to provide those comparatives.

– Define and calculate APMs consistently over time.

  A basic principle that entities should follow is to be consistent over time in the definition and calculation of APMs. The guidelines indicate that in exceptional circumstances where entities decide to redefine an APM, they should explain the changes, including the reasons why these changes result in reliable and relevant information of the financial performance, and they should provide the comparative figures, restating them in accordance with the new criteria.

  If an entity stops disclosing an APM, it should explain the reason for considering that this APM no longer provides relevant information.

Except in the case of prospectuses which are covered by a separate regime for incorporation by reference, the disclosure principles set out in these guidelines may be replaced by a direct reference to other documents previously published which contain these disclosures on alternative performance measures and are readily and easily accessible to users. Notwithstanding the above, APMs should all be accompanied by the comparatives as their replacement by a reference to another document is not permitted.

It should be highlighted that practical application of these principles requires professional judgement to define the best manner of ensuring compliance.

ESMA questions and answers document on its guidelines on alternative performance measures

With the aim of promoting common supervisory practices in the application of its guidelines on APMs, ESMA decided to publish a questions and answers document (hereinafter, Q&A) that responds to questions posed by the general public and competent authorities[19].

19 This document was published on 27 January 2017 and may be consulted at the following link: https://www.esma.europa.eu/press-news/esma-news/esma-publishes-new-qa-alternative-performance-measures-guidelines.

Although this document is basically aimed at competent authorities, as it aims to ensure that their supervisory actions converge along the lines of the responses provided by ESMA, it also aims to help issuers as to the correct implementation of ESMA Guidelines principles.

The Q&A document, which currently includes seven entries, will be updated as new questions are received. I believe the following are the most interesting questions posed in the document:

Application of the guidelines to APMs that are presented simultaneously inside and outside financial statements.

The guidelines are applicable to all financial measures that meet the definition provided in paragraphs 17 to 19 therein and which are disclosed outside the financial statements, but within documents falling under the scope of regulated information (management report, interim management statement, reporting of results under market abuse regulation, etc.).

Therefore, financial measures that are not defined or specified in the applicable financial reporting standards fall within the scope of the guidelines, irrespective of whether they are also disclosed in the financial statements.

Another issue relates to the exceptions provided by the guidelines when an APM is disclosed both inside and outside the financial statements. For example, Paragraph 29, relating to reconciliations, states that where an APM is directly identifiable from the financial statements, no reconciliation is required.

Application of the guidelines to financial measures such as financial ratios calculated exclusively using figures directly stemming from financial statements.

This point refers to the specific case of a financial ratio. If the different items included in that financial measure fall within the definition of an APM, the guidelines apply to both the financial ratio and the different items that comprise it. In contrast, if the items do not fall within the definition of an APM, the guidelines only apply to the ratio.

For example, in the net debt coverage ratio, measured as the ratio between net financial debt and EBITDA, the guidelines would apply both to the ratio and to the items that comprise it. However, in return on equity (ROE), measured as the ratio between profit and equity, the guidelines will only apply to the ratio as the items used to calculate it are already defined in the financial reporting framework.

Application of guidelines to labels other than "non-recurring", "infrequent" or "unusual" which are specifically referred to in Paragraph 25.

The response is yes, the guidelines apply to all labels used by issuers.

Although the guidelines do not prescribe which labels can or cannot be used, the labels used should be meaningful, not be misleading and reflect the basis of calculation of the APMs.

Differences between the ESMA guidelines and the IOSCO statement on non-GAAP financial measures

The two documents contain similar messages on the principles that issuers should follow for providing information on APMs. The differences are mostly minor and usually due to the fact that the ESMA guidelines are more specific and detailed.

However, there is one clear difference between them relating to their legal status. The IOSCO statement is not binding and does not establish any obligation, while European issuers and competent authorities, as reiterated in this article, must make every effort to comply with the ESMA guidelines.

There are no substantial differences regarding the principles that issuers should follow when disclosing APMs. Although the wording and details of the principles are different, application of both documents should lead to the same result.

It should be pointed out that the IOSCO statement explicitly states that APMs should not be used to avoid presenting adverse information to the market. While this is implicit in the ESMA guidelines, it is not explicitly stated.

6 IASB initiatives

This section focuses on the response of the IASB, as the body responsible for issuing International Financial Reporting Standards, with regard to the challenges posed by the use of APMs.

In August 2015, the IASB carried out an agenda consultation on its work plan for 2017 to 2021, and in November 2016 it published a summary of the contributions received and the decisions adopted by the IASB on the issues that it considers to be priorities for the next four years.

Better communication in financial reporting is one of these priority areas. This field of action includes the project on the primary financial statements, which will analyse, among other issues, the structure and content of the financial statements relating to financial performance, including line item subtotals and the treatment of alternative performance measures.

In this project, the IASB also made tentative decisions, in its meeting in December 2016, to explore the following aspects: (i) the possibility of requiring additional subtotals in the statement of financial performance, such as EBIT (earnings before interest and taxes) or operating profit, and (ii) providing guides on the use of performance measures, including the presentation of items as non-recurring, unusual or infrequent.

I believe that the IASB is right to explore the possibility of specifying certain additional subtotals. This decision might resolve the current shortcoming of IAS 1: *Presentation of Financial Statements*, which does not define subtotals, which is particularly relevant in the statement of profit or loss, where only revenue and profit before and after tax are defined. It is hoped that the solution ultimately adopted by the IASB will include more specific definitions of the minimum headings and margins of the statement of profit or loss without curtailing the flexibility that entities should have in order to establish the best way to communicate the evolution of their performance to investors.

As I indicated at the start of this article, both the flexibility of IAS 1 with regard to the presentation of financial statements, and the absence of definitions of common and relevant subtotals, such as operating profit, has promoted the proliferation of APMs, with the risks that this entails. The use of more specific definitions being analysed by the IASB may reduce the need for such extensive use of APMs.

The IASB does not only have projects to improve APMs in the medium or long term, but it has already completed some actions in this regard. I am referring to the amendment of IAS 1 published in December 2014, and which is mandatory for annual periods beginning on or after 1 January 2016. Among other issues, two new paragraphs, 55A and 85A, have been included, which are applicable to the statement of financial position and to the statement presenting profit or loss, respectively.

According to Paragraph 55 and 85 of IAS 1, an entity should present additional line items, headings and subtotals in the statement of financial position or in the statement presenting profit or loss when such presentation is relevant to an understanding of its financial position and performance. When an entity presents subtotals, those subtotals shall:

a) be comprised of line items made up of amounts recognised and measured in accordance with IFRS;

b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;

c) be consistent from period to period, and

d) not be displayed with more prominence than the subtotals and totals required in IFRS for the aforementioned financial statements.

There is a clear parallel between the requirements established by the amendment to IAS 1 and the principles underlining the ESMA guidelines and the IOSCO statement. It is also important to highlight that the IASB is considering specifying the treatment of APMs in the notes to the financial statements. This is a key aspect given the exceptions included in the guidelines and the IOSCO statement for APMs that are simultaneously disclosed inside and outside the financial statements.

7 Reassessment of the use of APMs and the role of the audit committee

The entry into force of the ESMA guidelines on APMs is an excellent opportunity for entities to fully reassess their use of APMs.

The audit committee should play an important role in this reassessment as it is one of the fundamental pillars for ensuring that issuers prepare quality financial information that fairly presents their performance.

It should be remembered that the functions entrusted to the audit committee under Royal Legislative Decree 1/2010, of 2 July, approving the recast text of the Capital Companies Act, include supervising the process of preparing and presenting mandatory financial information and presenting recommendations and proposals to the governing body aimed at safeguarding the integrity of such information.

Within these functions, and taking advantage of the first years of application of the ESMA guidelines on APMs, entities should analyse why they need to use an APM instead of referring to a measure defined in the financial reporting framework, and also whether the APMs used are really contributing towards giving a true and fair view of the entity's performance.

In addition, the audit committee is responsible for supervising the effectiveness of the entity's internal control, internal auditing and risk management systems as well as discussing with the account auditor the significant weaknesses in the internal control system detected during the audit. In this regard, it may present recommendations or proposals to the governing body and the corresponding timeline for monitoring said recommendations and proposals.

It therefore seems appropriate for entities to assess the need for these internal controls to include the treatment of APMs, and specifically that their method of calculation and use be formalised. This initiative may contribute towards minimising the possibility that they will be used opportunistically.

8 Conclusions

The use that listed entities make of APMs when presenting their financial performance has increased over recent years. However, this increase has not gone hand-in-hand with a similar effort to improve the transparency of these measures.

Securities market supervisors have developed several initiatives to establish the principles that should be followed when using APMs. The main objective is not to limit their use, but to provide principles that promote their usefulness and transparency and thus reduce the risk that they may transmit misleading information.

Further progress towards achieving this objective requires a change in the attitude of issuers in favour of a more transparent use of APMs. It is therefore necessary for the initiatives developed thus far to be accompanied by a decisive commitment by securities market supervisors to review and demand compliance with the principles that they introduce.

This has been understood by European supervisors, which have included compliance with the ESMA guidelines among the common enforcement priorities in the European Union regarding 2016 financial information, and by the CNMV, which includes it among the national priorities.

The first application of these initiatives, specifically the ESMA guidelines on APMs, is an excellent opportunity for the management of these entities to reassess their use of these measures and to analyse whether their use is truly necessary and, as far as possible, to simplify their calculation. It also seems appropriate that at the level of internal control, entities should assess the need to establish a formal policy on the use of APMs. In this process, audit committees play a key role as supervisors of the process of preparing and presenting financial information and the effectiveness of entities' internal control.

Lastly, it should be pointed out that APMs may supplement the information obtained from the financial statements, but under no circumstances should they replace it, as it is not an appropriate practice for entities to focus their performance reporting on APMs.

III Legislative annex

New legislation since publication of the CNMV bulletin in December 2016 is as follows:

Spanish legislation

– Royal Decree-Law 1/2017, of 20 January, on urgent consumer protection measures in respect of interest rate floor clauses.

This Royal Decree-Law - which includes a statement of purpose, four articles, three additional provisions, a single transitional provision, a single repealing provision and four final provisions - establishes an out-of-court procedure prior to filing any lawsuit, at no additional cost to the consumer and to which credit institutions are required to respond, in order to recover excess interest paid under invalid floor clauses. While this prior claim is being processed, the parties may not exercise any judicial or extrajudicial action relating to the subject matter of the claim against each other.

In the judicial stage, measures are set with regard to litigation costs that provide an incentive to the out-of-court recognition of the consumer's right and acceptance by credit institutions. The aim of these measures is for the consumer's right to be restored as soon as possible, thus avoiding the need to pursue lengthy legal proceedings.

Lastly, the Royal Decree-Law regulates the tax treatment of the refunds for clauses limiting interest rates on loans resulting from agreements with financial institutions, for which purpose the legislation on Personal Income Tax is amended.

It entered into force on 22 January 2017.

– Internal Regulation of the CNMV, recast text of the Regulation approved by Resolution of the CNMV Board on 10 July 2003 (Official State Gazette 18/07/2003) as amended by the following Resolutions of the CNMV Board: 14 December 2004 (Official State Gazette 29/12/2004), 16 May 2007 (Official State Gazette 31/05/2007), 5 November 2008 (Official State Gazette 20/11/2008), 21 January 2009 (Official State Gazette 27/01/2009), 7 July 2010 (Official State Gazette 15/07/2010), 2 October 2013 (Official State Gazette 2/11/2013), 26 May 2015 (Official State Gazette 06/06/2015), 20 April 2016 (Official State Gazette 6/05/2016) and 7 February 2017 (Official State Gazette 10/02/2017).

Various organisational changes are implemented by the Resolution of the CNMV Board of 7 February 2017. The structure of the Legal Affairs Directorate-General provided in Article 31.4 is amended in order to create a Legal Affairs Deputy Directorate-General. The Legal Affairs Directorate-General takes on certain new powers, such as that of receiving and promoting the reporting of alleged breaches of rules on securities market discipline and organisation (whistleblowing).

The Communication Department is entrusted with the function of managing, updating and maintaining the CNMV website.

European legislation

- Commission Delegated Regulation (EU) 2017/72, of 23 September 2016, supplementing Regulation (EU) No 575/2013, of the European Parliament and of the Council, with regard to regulatory technical standards specifying conditions for data waiver permissions (Text with EEA relevance).

- Commission Delegated Regulation (EU) 2017/104, of 19 October 2016, amending Delegated Regulation (EU) No 148/2013, supplementing Regulation (EU) No 648/2012, of the European Parliament and of the Council, on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards on the minimum details of the data to be reported to trade repositories (Text with EEA relevance).

- Commission Implementing Regulation (EU) 2017/105, of 19 October 2016, amending Implementing Regulation (EU) No 1247/2012, laying down implementing technical standards with regard to the format and frequency of trade reports to trade repositories pursuant to Regulation (EU) No 648/2012, of the European Parliament and of the Council, on OTC derivatives, central counterparties and trade repositories (Text with EEA relevance).

- Commission Delegated Regulation (EU) 2017/180, of 24 October 2016, supplementing Directive 2013/36/EU, of the European Parliament and of the Council, with regard to regulatory technical standards for benchmarking portfolio assessment standards and assessment-sharing procedures (Text with EEA relevance).

- Commission Delegated Regulation (EU) 2017/208, of 31 October 2016, supplementing Regulation (EU) No 575/2013, of the European Parliament and of the Council, with regard to regulatory technical standards for additional liquidity outflows corresponding to collateral needs resulting from the impact of an adverse market scenario on an institution's derivatives transactions (Text with EEA relevance).

- Commission Delegated Regulation (EU) 2017/323, of 20 January 2017, correcting Delegated Regulation (EU) 2016/2251, supplementing Regulation (EU) No 648/2012, of the European Parliament and of the Council, on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty (Text with EEA relevance).

- Commission Implementing Regulation (EU) 2017/309, of 23 February 2017, laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 31 December 2016 until 30 March 2017, in accordance with Directive 2009/138/EC, of the European Parliament and of the Council, on the taking-up and pursuit of the business of insurance and reinsurance (Text with EEA relevance).

IV Statistics Annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

				2016				2017
	2014	2015	2016	I	II	III	IV	I[2]
NO. OF ISSUERS								
Total	49	52	44	17	20	13	18	10
Capital increases	47	47	44	17	20	13	18	10
Primary offerings	6	0	3	0	3	0	0	0
Bonus issues	19	17	18	5	5	6	8	4
Of which, scrip dividend	12	12	12	5	4	4	4	4
Capital increases by conversion[3]	11	11	10	6	4	3	7	0
For non-monetary consideration[4]	4	5	4	2	1	2	2	3
With pre-emptive subscription rights	5	12	11	3	5	2	1	1
Without trading warrants	16	11	8	2	3	1	3	3
Secondary offerings	4	6	2	0	2	0	0	0
NO. OF ISSUES								
Total	147	115	84	21	24	15	24	11
Capital increases	140	103	82	21	22	15	24	11
Primary offering	8	0	4	0	4	0	0	0
Bonus issues	37	28	25	6	5	6	8	4
Of which, scrip dividend	28	22	18	6	4	4	4	4
Capital increases by conversion[3]	43	31	24	8	4	3	9	0
For non-monetary consideration[4]	9	7	8	2	1	3	2	3
With pre-emptive subscription rights	5	15	11	3	5	2	1	1
Without trading warrants	38	22	10	2	3	1	4	3
Secondary offerings	7	12	2	0	2	0	0	0
CASH VALUE (million euro)								
Total	32,762.4	37,067.4	20,031.7	4,891.5	9,247.2	1,907.8	3,985.2	1,263.8
Capital increases	27,875.5	28,735.8	19,525.0	4,891.5	8,740.6	1,907.8	3,985.2	1,263.8
Primary offerings	2,951.5	0.0	807.6	0.0	807.6	0.0	0.0	0.0
Bonus issues	12,650.8	9,627.8	5,729.2	966.6	1,233.3	1,146.3	2,383.0	1,084.4
Of which, scrip dividend	12,573.8	9,627.8	5,729.2	966.6	1,233.3	1,146.3	2,383.0	1,084.4
Capital increases by conversion[3]	3,757.9	2,162.5	3,660.5	3,008.6	230.7	342.6	78.6	0.0
For non-monetary consideration[4]	2,814.5	367.0	1,791.8	50.8	0.0	238.3	1,502.6	14.1
With pre-emptive subscription rights	2,790.8	7,932.6	6,513.3	799.9	5,534.0	174.8	4.6	147.2
Without trading warrants	2,909.9	8,645.9	1,022.5	65.5	935.0	5.8	16.3	18.1
Secondary offerings	4,886.9	8,331.6	506.6	0.0	506.6	0.0	0.0	0.0
NOMINAL VALUE (million euro)								
Total	4,768.5	4,253.4	4,185.2	1,314.4	2,009.6	338.5	522.6	161.0
Capital increases	4,472.6	3,153.3	4,171.3	1,314.4	1,995.7	338.5	522.6	161.0
Primary offerings	626.7	0.0	11.3	0.0	11.3	0.0	0.0	0.0
Bonus issues	1,258.2	946.6	878.1	102.8	300.8	122.7	351.8	106.1
Of which, scrip dividend	1,110.0	785.8	706.4	102.8	159.3	119.7	324.6	106.1
Capital increases by conversion[3]	819.7	107.0	1,109.2	1,028.4	11.1	47.9	21.8	0.0
For non-monetary consideration[4]	311.0	146.6	248.9	7.3	0.0	94.8	146.7	2.6
With pre-emptive subscription rights	1,185.7	1,190.7	1,403.0	156.5	1,173.0	72.6	0.9	44.2
Without trading warrants	271.3	762.3	520.9	19.4	499.6	0.5	1.4	8.1
Secondary offerings	295.9	1,100.2	13.9	0.0	13.9	0.0	0.0	0.0
Pro memoria: transactions MAB[5]								
No. of Issuers	9	16	16	2	3	8	7	2
No. of Issues	15	18	21	2	4	8	7	2
Cash value (million euro)	130.1	177.8	219.7	7.2	4.2	178.2	30.1	2.2
Capital increases	130.1	177.8	219.7	7.2	4.2	178.2	30.1	2.2
Of which, primary offerings	5.0	21.6	9.7	0.0	0.0	7.3	2.4	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: February 2017.
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

				2016				2017
	2014	2015	2016	I	II	III	IV	I[2]
Total electronic market[3]	129	129	130	129	131	132	130	129
Of which, without Nuevo Mercado	129	129	130	129	131	132	130	129
Of which, Nuevo Mercado	0	0	0	0	0	0	0	0
Of which, foreign companies	8	7	7	7	7	7	7	7
Second Market	6	5	5	5	5	5	5	5
Madrid	2	2	2	2	2	2	2	2
Barcelona	4	3	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	20	18	14	17	15	15	14	14
Madrid	9	8	5	7	6	6	5	5
Barcelona	12	10	8	10	9	9	8	8
Bilbao	7	6	5	5	5	5	5	5
Valencia	4	3	3	3	3	3	3	3
Open outcry SICAVs	0	0	0	0	0	0	0	0
MAB[4]	3,269	3,429	3,336	3,429	3,416	3,397	3,336	3,277
Latibex	26	21	20	20	20	20	20	20

1 Data at the end of period.
2 Available data: February 2017.
3 Without ETFs (Exchange Traded Funds).
4 Alternative Stock Market.

Capitalisation[1]

TABLE 1.3

				2016				2017
Million euro	2014	2015	2016	I	II	III	IV	I[2]
Total electronic market[3]	735,317.8	766,335.7	779,123.8	705,971.5	675,765.0	727,943.2	779,123.8	804,308.0
Of which, without Nuevo Mercado	735,317.8	766,335.7	779,123.8	705,971.5	675,765.0	727,943.2	779,123.8	804,308.0
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]	132,861.1	141,695.3	151,043.2	131,231.2	127,150.3	134,605.9	151,043.2	165,479.9
Ibex 35	479,378.5	477,521.1	484,059.2	438,196.0	413,090.6	451,319.1	484,059.2	495,613.3
Second Market	30.2	20.6	114.1	78.1	116.4	114.8	114.1	107.1
Madrid	15.8	20.6	72.0	78.1	74.1	72.5	72.0	74.1
Barcelona	14.4	0.0	42.1	0.0	42.3	42.3	42.1	33.0
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	2,466.6	1,040.3	1,291.6	1,017.9	1,562.4	1,418.3	1,291.6	1,340.7
Madrid	376.5	296.9	289.9	326.7	380.4	340.6	289.9	256.3
Barcelona	2,356.5	887.7	1,136.6	3,581.0	1,409.1	1,263.6	1,136.6	1,184.3
Bilbao	162.5	943.3	54.0	216.2	67.9	58.0	54.0	307.4
Valencia	326.4	150.0	349.2	69.6	350.1	325.3	349.2	55.6
Open outcry SICAVs[5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB[5,6]	34,306.0	37,258.5	38,580.8	36,008.2	35,480.3	38,154.1	38,580.8	39,241.6
Latibex	286,229.2	116,573.4	198,529.6	139,318.8	135,514.7	172,399.6	198,529.6	220,625.9

1 Data at the end of period.
2 Available data: February 2017.
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	2014	2015	2016	2016 I	II	III	IV	2017 I[1]
Total electronic market[2]	864,443.5	938,396.7	635,797.8	193,947.4	187,774.1	117,753.5	136,322.8	100,122.8
Of which, without Nuevo Mercado	864,443.5	938,396.7	635,797.8	193,947.4	187,774.1	117,753.5	136,322.8	100,122.8
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies	14,508.9	12,417.7	6,018.0	1,295.8	1,550.9	1,539.1	1,632.3	1,311.7
Second Market	0.7	13.8	3.1	0.1	0.4	2.4	0.3	0.1
Madrid	0.5	13.7	2.7	0.1	0.0	2.4	0.3	0.1
Barcelona	0.2	0.1	0.4	0.0	0.4	0.0	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	92.5	246.1	7.4	1.6	4.0	0.5	1.4	4.3
Madrid	32.6	19.4	3.2	1.4	1.2	0.1	0.5	1.5
Barcelona	45.2	219.1	4.2	0.2	2.7	0.4	0.8	2.7
Bilbao	14.3	7.5	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.3	0.1	0.0	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]	7,723.3	6,441.7	5,055.1	1,134.0	1,053.5	1,021.7	1,845.9	907.9
Latibex	373.1	258.7	156.4	53.4	17.7	26.5	58.9	50.3

1 Available data: February 2017.
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	2014	2015	2016	2016 I	II	III	IV	2017 I[2]
Regular trading	831,962.6	903,397.2	619,351.6	194,969.5	185,223.1	109,836.1	129,322.9	97,054.9
Orders	453,294.9	475,210.0	346,980.8	101,673.7	95,369.7	66,942.5	82,994.9	50,797.3
Put-throughs	73,056.9	96,187.7	68,990.5	24,747.2	19,372.1	11,354.0	13,517.3	8,223.0
Block trades	305,610.8	331,999.5	203,380.2	68,548.6	70,481.3	31,539.5	32,810.8	38,034.7
Off-hours	7,568.8	3,137.9	1,996.2	617.6	122.1	260.6	995.9	434.9
Authorised trades	7,808.9	14,885.5	12,667.0	1,626.5	1,420.5	6,382.6	3,237.3	1,996.1
Art. 36.1 SML trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	175.3	4,360.1	788.4	0.0	0.0	788.4	0.0	56.1
Public offerings for sale	6,143.4	4,266.8	777.5	0.0	777.5	0.0	0.0	0.0
Declared trades	410.9	203.6	37.3	0.0	0.0	37.3	0.0	0.0
Options	6,954.1	5,964.2	5,408.3	2,062.9	1,158.4	82.4	2,104.6	203.2
Hedge transactions	3,419.5	2,181.4	1,833.8	386.2	419.5	366.0	662.1	377.5

1 Without ETFs (Exchange Traded Funds).
2 Available data: February 2017.

1.2 Fixed-income

Gross issues registered at the CNMV

TABLE 1.6

	2014	2015	2016	2016				2017
				I	II	III	IV	I[1]
NO. OF ISSUERS								
Total	46	49	51	20	24	16	24	11
Mortgage covered bonds	13	13	13	8	8	0	8	3
Territorial covered bonds	3	3	3	0	2	1	1	0
Non-convertible bonds and debentures	16	16	16	8	10	5	10	6
Convertible bonds and debentures	1	1	0	0	0	0	0	0
Backed securities	13	16	20	5	4	5	8	1
Commercial paper	18	16	14	4	3	4	3	3
Of which, asset-backed	1	1	1	1	0	0	0	1
Of which, non-asset-backed	17	15	13	3	3	4	3	2
Other fixed-income issues	0	0	1	0	0	1	0	0
Preference shares	0	0	0	0	0	0	0	0
NO. OF ISSUES								
Total	662	415	399	97	110	68	124	66
Mortgage covered bonds	27	34	41	14	16	0	11	3
Territorial covered bonds	3	6	4	0	2	1	1	0
Non-convertible bonds and debentures	578	318	277	65	80	51	81	59
Convertible bonds and debentures	1	1	0	0	0	0	0	0
Backed securities	35	40	61	13	9	11	28	1
Commercial paper[2]	18	16	15	5	3	4	3	3
Of which, asset-backed	1	1	1	1	0	0	0	1
Of which, non-asset-backed	17	15	14	4	3	4	3	2
Other fixed-income issues	0	0	1	0	0	1	0	0
Preference shares	0	0	0	0	0	0	0	0
NOMINAL AMOUNT (million euro)								
Total	130,258.4	136,607.3	139,026.1	40,721.8	29,252.0	13,528.8	55,523.5	16,557.5
Mortgage covered bonds	23,838.0	31,375.0	31,642.5	9,943.0	10,199.5	0.0	11,500.0	2,250.0
Territorial covered bonds	1,853.3	10,400.0	7,250.0	0.0	2,750.0	2,500.0	2,000.0	0.0
Non-convertible bonds and debentures	41,154.7	39,099.9	40,168.3	8,344.2	4,054.2	1,411.5	26,358.3	11,463.6
Convertible bonds and debentures	750.0	53.2	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	29,008.0	28,369.6	35,504.9	17,038.2	4,655.5	4,186.2	9,625.0	1,000.0
Spanish tranche	26,972.1	25,147.2	32,228.7	15,233.5	4,589.0	3,865.2	8,541.0	587.7
International tranche	2,035.9	3,222.4	3,276.2	1,804.7	66.5	321.0	1,084.0	412.3
Commercial paper[3]	33,654.4	27,309.6	22,960.4	5,396.4	7,592.8	3,931.2	6,040.2	1,844.0
Of which, asset-backed	620.0	2,420.0	1,880.0	560.0	580.0	0.0	740.0	0.0
Of which, non-asset-backed	33,034.4	24,889.6	21,080.4	4,836.4	7,012.8	3,931.2	5,300.2	1,844.0
Other fixed-income issues	0.0	0.0	1,500.0	0.0	0.0	1,500.0	0.0	0.0
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pro memoria:								
Subordinated issues	7,999.3	5,452.2	4,278.7	1,980.0	130.0	733.4	1,435.3	0.0
Underwritten issues	195.8	0.0	421.0	421.0	0.0	0.0	0.0	0.0

1 Available data: February 2017.
2 Shelf registrations.
3 The figures for commercial paper refer to the amount placed.

Issues admitted to trading on AIAF[1]

TABLE 1.7

				2016				2017
Nominal amount in million euro	2014	2015	2016	I	II	III	IV	I[2]
Total	114,956.4	145,890.9	130,141.0	52,821.7	31,608.8	14,006.8	31,703.7	30,647.5
Commercial paper	33,493.1	27,455.3	22,770.6	4,989.4	7,927.4	3,904.6	5,949.2	2,289.7
Bonds and debentures	25,712.5	47,616.4	31,723.0	24,431.4	3,830.5	1,307.8	2,153.3	24,857.9
Mortgage covered bonds	24,438.0	31,375.0	31,392.5	7,143.0	12,999.5	0.0	11,250.0	2,500.0
Territorial covered bonds	1,853.3	10,400.0	7,250.0	0.0	2,750.0	2,500.0	2,000.0	0.0
Backed securities	29,459.5	29,044.2	35,504.9	16,257.9	4,101.4	4,794.4	10,351.2	1,000.0
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
Other fixed-income issues	0.0	0.0	1,500.0	0.0	0.0	1,500.0	0.0	0.0

1 Includes only corporate bonds.
2 Available data: February 2017.

AIAF. Issuers, issues and outstanding balance

TABLE 1.8

				2016				2017
	2014	2015	2016	I	II	III	IV	I[1]
NO. OF ISSUERS								
Total	465	388	375	381	376	375	375	369
Corporate bonds	464	387	374	380	375	374	374	368
Commercial paper	19	16	14	14	14	14	14	14
Bonds and debentures	79	64	52	61	57	53	52	50
Mortgage covered bonds	49	44	43	42	43	43	43	43
Territorial covered bonds	9	9	9	9	9	9	9	7
Backed securities	329	278	276	274	274	275	276	276
Preference shares	23	13	9	9	9	9	9	5
Matador bonds	9	7	6	7	7	7	6	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	3,345	2,723	2,637	2,759	2,710	2,649	2,637	2,538
Corporate bonds	3,192	2,531	2,433	2,519	2,503	2,441	2,433	2,335
Commercial paper	1,130	392	351	371	355	342	351	297
Bonds and debentures	495	882	856	923	917	879	856	825
Mortgage covered bonds	283	238	231	230	236	232	231	228
Territorial covered bonds	39	32	29	31	32	29	29	26
Backed securities	1,188	966	948	945	944	940	948	948
Preference shares	47	16	12	12	12	12	12	5
Matador bonds	10	7	6	7	7	7	6	6
Government bonds	153	193	204	209	207	208	204	203
Letras del Tesoro	12	12	12	12	12	12	12	12
Long Government bonds	141	181	192	197	195	196	192	191
OUTSTANDING BALANCE[2] (million euro)								
Total	1,374,947.5	1,386,289.8	1,408,556.6	1,385,905.0	1,419,351.9	1,420,731.1	1,408,556.6	1,407,244.7
Corporate bonds	581,825.3	534,088.9	531,056.9	535,398.0	542,060.1	533,307.9	531,056.9	508,493.6
Commercial paper	20,361.6	15,172.9	16,637.4	13,662.0	17,027.6	16,585.7	16,637.4	15,436.3
Bonds and debentures	74,076.5	74,082.2	85,477.8	88,142.03	87,204.9	86,706.2	85,477.8	72,415.1
Mortgage covered bonds	208,314.2	194,072.7	180,677.5	178,610.7	187,479.6	183,627.5	180,677.5	176,855.5
Territorial covered bonds	24,671.3	27,586.3	29,387.3	27,336.3	29,086.3	27,887.3	29,387.3	26,312.3
Backed securities	253,045.1	222,100.4	217,992.1	226,702.1	220,317.0	217,556.3	217,992.1	216,648.4
Preference shares	782.1	627.4	497.8	497.8	497.8	497.8	497.8	439.0
Matador bonds	574.4	447.1	386.9	447.1	447.1	447.1	386.9	386.9
Government bonds	793,122.3	852,200.9	877,499.6	872,816.1	877,291.7	887,423.2	877,499.6	898,751.1
Letras del Tesoro	77,926.1	82,435.4	81,037.1	84,129.6	80,542.9	79,032.7	81,037.1	82,381.0
Long Government bonds	715,196.2	769,765.5	796,462.5	788,686.5	796,748.8	808,390.6	796,462.5	816,370.1

1 Available data: February 2017.
2 Nominal amount.

AIAF. Trading

TABLE 1.9

Nominal amount in million euro	2014	2015	2016	2016 I	II	III	IV	2017 I[1]
BY TYPE OF ASSET								
Total	1,118,963.7	521,853.7	169,658.2	57,380.2	39,810.3	33,320.6	39,147.1	19,068.7
Corporate bonds	1,118,719.6	521,590.4	169,534.0	57,350.7	39,774.7	33,301.2	39,107.5	19,047.1
Commercial paper	48,817.3	31,346.2	20,684.3	4,274.6	5,972.1	5,578.0	4,859.7	2,839.9
Bonds and debentures	269,659.8	78,120.5	27,795.6	6,876.9	7,585.7	7,236.7	6,096.3	3,562.2
Mortgage covered bonds	376,273.3	187,201.7	79,115.6	33,020.3	16,213.9	12,431.2	17,450.1	7,292.5
Territorial covered bonds	82,023.2	46,711.4	5,329.3	2,506.7	47.6	775.0	2,000.0	17.0
Backed securities	341,827.8	177,844.1	36,554.9	10,658.1	9,952.0	7,276.0	8,668.8	5,318.6
Preference shares	97.7	295.5	43.1	13.9	0.5	4.3	24.4	6.3
Matadorw bonds	20.5	71.1	11.1	0.1	2.9	0.0	8.1	10.7
Government bonds	244.1	263.3	124.2	29.5	35.6	19.4	39.7	21.6
Letras del Tesoro	30.7	30.2	8.5	0.0	1.0	0.1	7.4	0.2
Long Government bonds	213.4	233.1	115.8	29.5	34.6	19.3	32.3	21.4
BY TYPE OF TRANSACTION								
Total	1,118,963.7	521,853.7	169,658.3	57,380.1	39,810.3	33,320.6	39,147.2	19,068.7
Outright	396,341.0	239,086.8	127,643.7	43,126.0	31,700.3	20,950.8	31,866.5	15,080.3
Repos	29,800.4	7,144.5	4,143.7	2,480.1	851.3	512.1	300.3	362.3
Sell-buybacks/Buy-sellbacks	692,822.2	267,875.7	37,870.9	11,774.1	7,258.7	11,857.7	6,980.4	3,626.1

1 Available data: February 2017.

AIAF. Third-party trading. By purchaser sector

TABLE 1.10

Nominal amount in million euro	2014	2015	2016	2016 I	II	III	IV	2017 I[1]
Total	262,527.8	193,694.8	76,643.0	40,730.0	27,509.1	19,621.9	29,512.0	12,134.4
Non-financial companies	30,843.4	22,747.1	3,501.6	3,617.7	1,540.5	1,276.7	684.5	555.7
Financial institutions	132,114.5	95,467.1	43,379.1	19,669.1	13,894.5	11,936.0	17,548.6	6,274.7
Credit institutions	87,475.6	74,196.0	32,144.3	14,439.6	9,642.9	8,279.3	14,222.1	4,264.7
IICs[2], insurance and pension funds	34,205.9	8,835.4	6,060.5	2,464.7	2,742.7	1,642.9	1,674.9	1,425.8
Other financial institutions	10,433.1	12,435.7	5,174.3	2,764.8	1,508.9	2,013.9	1,651.6	584.2
General government	5,067.3	10,414.4	3,668.9	1,300.8	1,694.4	1,062.7	911.8	1,099.0
Households and NPISHs[3]	2,861.8	1,575.2	723.8	352.2	279.8	206.4	237.6	99.0
Rest of the world	91,640.7	63,491.1	25,369.7	15,790.2	10,100.0	5,140.1	10,129.6	4,106.0

1 Available data: February 2017.
2 IICs: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.
3 Non-profit institutions serving households.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.11

				2016				2017
	2014	2015	2016	I	II	III	IV	I[1]
NO. OF ISSUERS								
Total	28	20	17	19	19	19	17	17
Private issuers	17	10	7	9	9	9	7	7
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	17	10	7	9	9	9	7	7
General government[2]	11	10	10	10	10	10	10	10
Regional governments	3	2	2	2	2	2	2	2
NO. OF ISSUES								
Total	165	103	75	96	91	86	75	73
Private issuers	65	43	26	37	35	35	26	25
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	65	43	26	37	35	35	26	25
General government[2]	100	60	49	59	56	51	49	48
Regional governments	56	25	23	25	25	24	23	23
OUTSTANDING BALANCES[3] (million euro)								
Total	16,800.4	11,702.2	10,203.4	11,596.1	11,554.2	11,268.5	10,203.4	10,182.3
Private issuers	3,401.2	1,383.3	899.4	1,186.6	1,147.1	1,099.2	899.4	871.2
Non-financial companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	3,401.2	1,383.3	899.4	1,186.6	1,147.1	1,099.2	899.4	871.2
General government[2]	13,399.2	10,319.0	9,304.0	10,409.6	10,407.1	10,169.3	9,304.0	9,311.1
Regional governments	12,227.2	9,320.2	8,347.6	9,411.7	9,411.7	9,211.7	8,347.6	8,347.6

1 Available data: February 2017.
2 Without public book-entry debt.
3 Nominal amount.

Trading on equity markets

TABLE 1.12

				2016				2017
Nominal amounts in million euro	2014	2015	2016	I	II	III	IV	I[1]
Electronic market	861.2	19.3	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry	5,534.0	2,050.2	1,673.0	172.7	228.4	693.6	578.3	0.0
Madrid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barcelona	5,527.0	2,050.2	1,673.0	172.7	228.4	693.6	578.3	0.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public book-entry debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional governments debt	42,677.2	22,169.0	3,103.5	1,526.3	225.1	897.3	454.7	0.0

1 Available data: February 2017.

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

TABLE 1.13

				2016				2017
Nominal amounts in million euro	2014	2015	2016	I	II	III	IV	I[1]
Total	103,044.0	101,555.0	165,472.0	31,231.0	53,039.0	38,752.0	42,450.0	29,784.0
Outright	103,044.0	101,555.0	165,472.0	31,231.0	53,039.0	38,752.0	42,450.0	29,784.0
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: February 2017.

1.3 Derivatives and other products

1.3.1 Financial derivatives markets: MEFF

Trading on MEFF

TABLE 1.14

				2016				2017
Number of contracts	2014	2015	2016	I	II	III	IV	I[1]
Debt products	5,347	8,012	360	230	87	43	0	0
Debt futures[2]	5,347	8,012	360	230	87	43	0	0
Ibex 35 products[3,4]	7,984,894	8,279,939	7,468,299	2,125,569	1,914,578	1,664,402	1,763,750	1,077,962
Ibex 35 plus futures	6,924,068	7,384,896	6,836,500	1,920,556	1,766,118	1,548,315	1,601,511	992,532
Ibex 35 mini futures	304,891	318,129	249,897	89,717	61,940	51,562	46,679	23,669
Ibex 35 dividend impact futures	23,939	32,499	58,044	13,908	13,027	5,448	25,661	3,935
Ibex 35 sectorals futures	–	–	1,619	–	–	120	1,499	425
Call mini options	483,471	325,479	169,871	51,341	38,567	31,200	48,763	25,235
Put mini options	248,526	218,937	152,368	50,047	34,927	27,757	39,637	32,167
Stock products[5]	38,611,291	31,768,355	32,736,458	8,253,156	8,048,626	6,048,948	10,385,728	3,760,344
Futures	12,740,105	10,054,830	9,467,294	3,312,316	2,670,353	1,446,623	2,038,002	621,339
Stock dividend futures	236,151	291,688	367,785	112,228	137,565	8,596	109,396	5,250
Stock plus dividend futures	–	1,152	760	20	0	180	560	0
Call options	11,719,370	8,572,088	11,239,662	2,394,785	2,191,674	2,578,138	4,075,065	1,457,317
Put options	13,915,665	12,848,597	11,660,957	2,433,807	3,049,034	2,015,411	4,162,705	1,676,438

1 Available data: February 2017.
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.

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

Issues registered at the CNMV

TABLE 1.15

				2016				2017
	2014	2015	2016	I	II	III	IV	I[1]
WARRANTS[2]								
Premium amount (million euro)	3,644.2	3,479.1	2,688.6	762.3	588.2	615.9	722.2	227.9
On stocks	1,770.9	1,807.3	1,438.2	431.3	373.7	272.0	361.2	132.7
On indexes	1,697.3	1,486.1	1,153.1	294.5	193.1	329.2	336.2	90.6
Other underlyings[3]	176.0	185.6	97.2	36.5	21.3	14.6	24.7	4.7
Number of issues	8,574	9,059	7,809	2,294	1,795	1,667	2,053	624
Number of issuers	6	8	5	5	5	5	5	3
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	0.0	5.0	650.0	0.0	50.0	100.0	500.0	200.0
On stocks	0.0	5.0	650.0	0.0	50.0	100.0	500.0	200.0
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	1	4	0	1	1	1	1
Number of issuers	0	1	1	0	1	1	2	1

1 Available data: February 2017.
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 1.16

	2014	2015	2016	2016 I	II	III	IV	2017 I[1]
WARRANTS								
Trading (million euro)	817.7	1,095.9	715.5	213.4	180.9	159.8	161.4	91.3
On Spanish stocks	379.8	303.6	248.4	77.2	72.8	46.0	52.4	36.1
On foreign stocks	51.2	66.7	32.6	8.8	8.1	7.6	8.1	5.4
On indexes	364.3	692.0	420.4	122.6	96.1	103.8	97.8	48.4
Other underlyings[2]	22.4	33.6	14.2	4.8	3.9	2.4	3.2	1.5
Number of issues[3]	7,612	7,530	6,296	2,757	2,708	2,257	2,457	1,817
Number of issuers[3]	8	9	8	8	8	8	8	6
CERTIFICATES								
Trading (million euro)	1.7	1.1	0.4	0.1	0.1	0.1	0.0	0.0
Number of issues[3]	2	2	2	2	2	2	2	1
Number of issuers[3]	1	1	1	1	1	1	1	1
ETFs								
Trading (million euro)	9,849.5	12,633.8	6,045.2	2,273.4	1,468.5	1,014.3	1,288.9	538.1
Number of funds	70	58	33	58	58	32	33	21
Assets[4] (million euro)	436.1	436.1	349.3	358.4	325.3	336.0	349.3	–

1 Available data: February 2017.
2 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.
3 Issues or issuers which were traded in each period.
4 Assets from national collective investment schemes is only included because assets from foreign ones are not available.

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

	2014	2015	2016	2016 I	II	III	IV	2017 I[1]
BROKER-DEALERS								
Spanish firms	38	39	40	39	41	42	40	40
Branches	21	25	27	23	23	27	27	23
Agents	6,116	5,819	5,761	5,740	5,748	5,740	5,761	5,730
BROKERS								
Spanish firms	37	39	41	38	37	40	41	46
Branches	19	21	22	22	23	22	22	23
Agents	466	468	492	457	485	482	492	457
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	5	3	2	2	2	2	2	2
Branches	5	9	8	8	8	8	8	8
Agents	1	0	0	0	0	0	0	0
FINANCIAL ADVISORY FIRMS								
Spanish firms	143	154	160	154	162	163	160	40
Branches	11	12	15	12	13	14	15	15
CREDIT INSTITUTIONS[2]								
Spanish firms	137	134	126	133	133	131	126	125

1 Available data: February 2017.
2 Source: Banco de España.

Investment services. Foreign firms

TABLE 2.2

	2014	2015	2016	2016 I	II	III	IV	2017 I[1]
Total	3,102	3,177	3,309	3,204	3,268	3,291	3,309	3,335
Investment services firms	2,641	2,717	2,842	2,742	2,799	2,827	2,842	2,870
From EU member states	2,639	2,714	2,839	2,739	2,796	2,824	2,839	2,867
Branches	39	42	46	45	45	46	46	46
Free provision of services	2,600	2,672	2,793	2,694	2,751	2,778	2,793	2,821
From non-EU states	2	3	3	3	3	3	3	3
Branches	0	0	0	0	0	0	0	0
Free provision of services	2	3	3	3	3	3	3	3
Credit institutions[2]	461	460	467	462	469	464	467	465
From EU member states	452	451	460	454	461	457	460	459
Branches	54	53	55	53	54	53	55	55
Free provision of services	398	398	405	401	407	404	405	404
Subsidiaries of free provision of services institutions	0	0	0	0	0	0	0	0
From non-EU states	9	9	7	8	8	7	7	6
Branches	6	6	5	5	5	5	5	4
Free provision of services	3	3	2	3	3	2	2	2

1 Available data: February 2017.
2 Source: Banco de España and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

Million euro	2014	2015	2016	2015 IV	2016 I	II	III	IV
FIXED-INCOME								
Total	9,264,859.8	5,365,817.5	4,625,411.6	1,114,132.3	1,234,449.1	1,273,116.1	1,124,102.8	993,743.6
Broker-dealers	4,989,059.9	3,774,816.4	3,171,599.2	763,623.3	805,643.4	892,819.1	762,082.2	711,054.5
Spanish organised markets	2,372,515.0	1,909,130.4	1,350,483.4	335,795.1	369,646.2	374,752.4	336,786.1	269,298.7
Other Spanish markets	2,388,868.8	1,689,702.4	1,570,540.0	387,977.8	364,162.5	451,729.7	375,674.4	378,973.4
Foreign markets	227,676.1	175,983.6	250,575.8	39,850.4	71,834.7	66,337.0	49,621.7	62,782.4
Brokers	4,275,799.9	1,591,001.1	1,453,812.4	350,509.0	428,805.7	380,297.0	362,020.6	282,689.1
Spanish organised markets	89,472.6	14,160.0	25,247.8	2,261.0	14,338.1	6,844.3	3,039.3	1,026.1
Other Spanish markets	3,955,091.6	1,402,106.3	1,222,925.7	308,263.6	353,710.7	308,895.1	320,816.5	239,503.4
Foreign markets	231,235.7	174,734.8	205,638.9	39,984.4	60,756.9	64,557.6	38,164.8	42,159.6
EQUITY								
Total	940,623.2	1,020,289.5	798,564.7	265,922.0	210,419.3	205,836.0	167,119.5	215,189.9
Broker-dealers	875,037.7	914,649.2	636,727.0	209,737.6	194,853.2	174,181.3	117,048.1	150,644.4
Spanish organised markets	814,349.4	855,883.2	583,283.9	195,807.3	180,804.3	159,663.1	105,234.4	137,582.1
Other Spanish markets	2,828.5	3,327.8	2,313.1	816.3	637.2	585.6	373.5	716.8
Foreign markets	57,859.8	55,438.2	51,130.0	13,114.0	13,411.7	13,932.6	11,440.2	12,345.5
Brokers	65,585.5	105,640.3	161,837.7	56,184.4	15,566.1	31,654.7	50,071.4	64,545.5
Spanish organised markets	16,726.7	14,207.3	11,090.1	3,076.7	3,001.3	2,227.3	3,778.5	2,083.0
Other Spanish markets	14,009.1	13,769.0	8,902.9	6,466.2	846.9	1,632.6	2,431.0	3,992.4
Foreign markets	34,849.7	77,664.0	141,844.7	46,641.5	11,717.9	27,794.8	43,861.9	58,470.1

1 Period accumulated data. Quarterly.

Intermediation of derivative transactions[1,2]

TABLE 2.4

Million euro	2014	2015	2016	2015 IV	2016 I	II	III	IV
Total	10,095,572.3	12,104,474.3	10,985,305.6	3,064,485.0	3,087,332.5	2,849,764.2	2,347,754.9	2,700,454.0
Broker-dealers	9,918,555.0	11,958,716.2	10,698,379.2	3,019,750.2	3,025,120.2	2,756,706.2	2,271,808.1	2,644,744.7
Spanish organised markets	4,625,999.8	6,215,223.3	4,842,990.7	1,521,172.3	1,474,859.7	1,244,231.7	1,026,111.9	1,097,787.4
Foreign organised markets	4,913,770.3	5,386,722.4	5,204,785.7	1,351,399.3	1,360,289.3	1,342,718.7	1,109,120.9	1,392,656.8
Non-organised markets	378,784.9	356,770.5	650,602.8	147,178.6	189,971.2	169,755.8	136,575.3	154,300.5
Brokers	177,017.3	145,758.1	286,926.4	44,734.8	62,212.3	93,058.0	75,946.8	55,709.3
Spanish organised markets	6,881.8	7,510.9	20,935.4	2,842.0	5,151.0	6,112.1	5,370.4	4,301.9
Foreign organised markets	37,016.8	27,846.8	59,427.1	10,481.3	12,857.3	14,621.2	15,957.8	15,990.8
Non-organised markets	133,118.7	110,400.4	206,563.9	31,411.5	44,204.0	72,324.7	54,618.6	35,416.6

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. Quarterly.

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

TABLE 2.5

	2014	2015	2016	2015 IV	2016 I	II	III	IV
NUMBER OF PORTFOLIOS								
Total[2]	13,483	13,713	15,818	13,713	11,539	11,779	12,202	15,818
Broker-dealers. Total	4,741	5,711	5,743	5,711	5,740	5,752	5,939	5,743
IIC[3]	63	60	26	60	38	37	33	26
Other[4]	4,678	5,651	5,717	5,651	5,702	5,715	5,906	5,717
Brokers. Total	4,484	5,681	6,512	5,681	5,799	6,027	6,263	6,512
IIC[3]	63	95	98	95	89	95	96	98
Other[4]	4,421	5,586	6,414	5,586	5,710	5,932	6,167	6,414
Portfolio management companies[2]. Total	4,258	2,321	3,563	2,321	–	–	–	3,563
IIC[3]	5	1	1	1	–	–	–	1
Other[4]	4,253	2,320	3,562	2,320	–	–	–	3,562
ASSETS UNDER MANAGEMENT (thousand euro)								
Total[2]	11,661,203	9,201,678	13,298,318	9,201,678	8,343,822	7,593,204	7,866,400	13,298,318
Broker-dealers. Total	4,905,630	5,406,804	5,534,052	5,406,804	6,018,420	5,301,602	5,513,589	5,534,052
IIC[3]	1,371,924	1,546,293	818,442	1,546,293	1,139,393	1,078,702	1,070,345	818,442
Other[4]	3,533,706	3,860,511	4,715,610	3,860,511	4,879,027	4,222,900	4,443,244	4,715,610
Brokers. Total	1,935,646	2,565,132	2,557,207	2,565,132	2,325,402	2,291,602	2,352,811	2,557,207
IIC[3]	846,244	1,448,260	1,424,582	1,448,260	1,232,516	1,221,232	1,283,213	1,424,582
Other[4]	1,089,403	1,116,872	1,132,625	1,116,872	1,092,886	1,070,370	1,069,598	1,132,625
Portfolio management companies[2]. Total	4,819,927	1,229,742	5,207,059	1,229,742	–	–	–	5,207,059
IIC[3]	118,847	15,729	15,916	15,729	–	–	–	15,916
Other[4]	4,701,080	1,214,013	5,191,143	1,214,013	–	–	–	5,191,143

1 Data at the end of period. Quarterly.
2 Only public information about portfolio management companies is 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 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes. Includes both resident and non-resident IICs 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

	2014	2015	2016	2015 IV	2016 I	II	III	IV
NUMBER OF CONTRACTS								
Total[3]	12,761	14,569	17,857	14,569	13,015	13,587	14,319	17,857
Broker-dealers. Total[4]	3,437	1,183	1,194	1,183	1,192	1,160	1,198	1,194
Retail clients	3,409	1,159	1,182	1,159	1,164	1,130	1,161	1,182
Professional clients	11	11	3	11	15	15	22	3
Brokers. Total[4]	7,511	11,456	14,358	11,456	11,823	12,427	13,121	14,358
Retail clients	7,322	11,247	14,170	11,247	11,639	12,269	12,946	14,170
Professional clients	169	176	154	176	148	124	147	154
Portfolio management companies[3]. Total[4]	1,813	1,930	2,305	1,930	–	–	–	2,305
Retail clients	1,805	1,928	2,303	1,928	–	–	–	2,303
Professional clients	8	2	2	2	–	–	–	2
Pro memoria: commission received for financial advice[5] (Thousand euro)								
Total[3]	18,747	10,937	11,515	10,937	2,323	4,637	7,772	11,515
Broker-dealers	10,638	2,930	2,547	2,930	647	1,266	1,909	2,547
Brokers	7,260	7,636	8,614	7,636	1,676	3,371	5,863	8,614
Portfolio management companies[3]	849	371	354	371	–	–	–	354

1 Data at the end of period. Quarterly.
2 Quarterly data on assets advised are not available since the enter into force of Circular 3/2014, of 22nd October, of the Comisión Nacional del Mercado de Valores.
3 Only public information about portfolio management companies is 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.
5 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. Broker-dealers

TABLE 2.7

Thousand euro[1]	2014	2015	2016	2016 I	II	III	IV	2017 I[2]
I. Interest income	74,177	55,570	53,930	7,216	38,447	49,275	53,930	336
II. Net commission	445,317	422,542	373,552	91,676	191,507	280,710	373,552	31,066
Commission revenues	633,263	614,705	538,586	137,511	278,225	407,854	538,586	43,009
Brokering	342,462	322,857	245,700	65,205	128,808	184,438	245,700	18,406
Placement and underwriting	21,414	11,556	5,955	629	3,346	5,198	5,955	189
Securities deposit and recording	22,347	24,358	47,843	12,323	23,559	34,873	47,843	2,756
Portfolio management	21,046	22,541	23,738	5,453	10,674	16,933	23,738	4,001
Design and advising	19,502	13,575	14,648	4,414	7,580	10,554	14,648	841
Stocks search and placement	4,367	1,497	2,155	80	1,385	1,641	2,155	66
Market credit transactions	0	0	0	0	0	0	0	0
IICs[3] marketing	62,948	73,889	75,505	18,307	36,698	55,758	75,505	6,606
Other	139,177	144,432	123,042	31,101	66,174	98,459	123,042	10,144
Commission expenses	187,946	192,163	165,034	45,835	86,718	127,144	165,034	11,943
III. Financial investment income	222,077	215,861	104,292	21,838	90,667	84,290	104,292	4,515
IV. Net exchange differences and other operating products and expenses	-96,425	-128,200	-1,177	3,793	-32,389	-19,553	-1,177	1,807
V. Gross income	645,146	565,773	530,597	124,523	288,232	394,722	530,597	37,724
VI. Operating income	265,509	186,771	169,499	37,138	101,954	120,083	169,499	9,030
VII. Earnings from continuous activities	192,467	141,291	140,521	40,695	101,475	117,959	140,521	6,852
VIII. Net earnings of the period	192,467	141,291	140,521	40,695	101,475	117,959	140,521	6,852

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.
2 Available data: January 2017.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousand euro[1]	2014	2015	2016	2015 IV	2016 I	II	III	IV
TOTAL								
Total	200,010	137,327	152,893	137,327	32,932	93,809	108,543	152,893
Money market assets and public debt	12,342	9,327	8,332	9,327	2,397	4,802	6,422	8,332
Other fixed-income securities	31,631	24,795	35,415	24,795	9,674	18,170	25,572	35,415
Domestic portfolio	23,038	8,990	19,863	8,990	5,155	8,977	13,764	19,863
Foreign portfolio	8,593	15,805	15,552	15,805	4,519	9,193	11,808	15,552
Equities	800,035	112,943	135,587	112,943	-116,403	4,852	133,877	135,587
Domestic portfolio	112,635	18,141	14,010	18,141	-598	8,781	10,238	14,010
Foreign portfolio	687,400	94,802	121,577	94,802	-115,805	-3,929	123,639	121,577
Derivatives	-565,800	109,668	-52,325	109,668	131,289	72,260	-56,862	-52,325
Repurchase agreements	345	-248	-471	-248	-99	-244	-361	-471
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial Intermediaries	1,205	1,605	-1,030	1,605	-571	-1,660	-1,824	-1,030
Net exchange differences	-110,807	-142,545	-29,730	-142,545	-2,440	-40,352	-29,944	-29,730
Other operating products and expenses	14,384	14,344	28,555	14,344	6,232	7,964	10,390	28,555
Other transactions	16,675	7,438	28,560	7,438	2,853	28,017	21,273	28,560
INTEREST INCOME								
Total	74,177	55,570	53,930	55,570	7,216	38,446	49,273	53,930
Money market assets and public debt	2,123	2,156	1,708	2,156	389	817	1,276	1,708
Other fixed-income securities	3,371	2,731	1,742	2,731	580	974	1,271	1,742
Domestic portfolio	2,147	1,534	809	1,534	320	509	550	809
Foreign portfolio	1,224	1,197	933	1,197	260	465	721	933
Equities	63,460	43,826	24,619	43,826	8,213	13,998	23,146	24,619
Domestic portfolio	28,679	3,622	3,298	3,622	102	1,756	2,397	3,298
Foreign portfolio	34,781	40,204	21,321	40,204	8,111	12,242	20,749	21,321
Repurchase agreements	345	-248	-471	-248	-99	-244	-361	-471
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial Intermediaries	1,205	1,605	-1,030	1,605	-571	-1,660	-1,824	-1,030
Other transactions	3,673	5,500	27,362	5,500	-1,296	24,561	25,765	27,362
FINANCIAL INVEST INCOME								
Total	222,077	215,861	104,291	215,861	21,838	90,668	84,287	104,291
Money market assets and public debt	10,219	7,171	6,624	7,171	2,008	3,985	5,146	6,624
Other fixed-income securities	28,260	22,064	33,673	22,064	9,094	17,196	24,301	33,673
Domestic portfolio	20,891	7,456	19,054	7,456	4,835	8,468	13,214	19,054
Foreign portfolio	7,369	14,608	14,619	14,608	4,259	8,728	11,087	14,619
Equities	736,575	69,117	110,968	69,117	-124,616	-9,146	110,731	110,968
Domestic portfolio	83,956	14,519	10,712	14,519	-700	7,025	7,841	10,712
Foreign portfolio	652,619	54,598	100,256	54,598	-123,916	-16,171	102,890	100,256
Derivatives	-565,800	109,668	-52,325	109,668	131,289	72,260	-56,862	-52,325
Other transactions	12,823	7,841	5,351	7,841	4,063	6,373	971	5,351
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	-96,244	-134,104	-5,328	-134,104	3,878	-35,305	-25,017	-5,328
Net exchange differences	-110,807	-142,545	-29,730	-142,545	-2,440	-40,352	-29,944	-29,730
Other operating products and expenses	14,384	14,344	28,555	14,344	6,232	7,964	10,390	28,555
Other transactions	179	-5,903	-4,153	-5,903	86	-2,917	-5,463	-4,153

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]	2014	2015	2016	2016 I	II	III	IV	2017 I[2]
I. Interest income	1,119	884	903	159	392	614	903	56
II. Net commission	120,634	113,904	108,111	24,770	51,128	78,389	108,111	8,882
Commission revenues	147,137	135,320	129,682	29,949	61,487	94,142	129,682	11,082
Brokering	41,745	31,845	24,181	6,404	13,647	18,617	24,181	1,915
Placement and underwriting	8,129	3,829	3,193	229	520	1,692	3,193	803
Securities deposit and recording	567	521	603	147	296	449	603	22
Portfolio management	15,062	10,711	11,054	2,844	5,258	8,188	11,054	989
Design and advising	7,576	7,856	8,980	1,857	3,595	6,140	8,980	591
Stocks search and placement	0	216	40	18	40	40	40	0
Market credit transactions	0	0	0	0	0	0	0	0
IICs[3] marketing	46,565	53,169	50,504	12,457	24,561	37,047	50,504	4,170
Other	27,493	27,173	31,128	5,993	13,571	21,970	31,128	2,593
Commission expenses	26,503	21,416	21,571	5,179	10,359	15,753	21,571	2,200
III. Financial investment income	775	592	245	-94	-133	176	245	98
IV. Net exchange differences and other operating products and expenses	1,102	1,197	-1,030	-421	-749	-1,067	-1,030	-158
V. Gross income	123,626	116,577	108,229	24,414	50,638	78,112	108,229	8,878
VI. Operating income	24,366	22,148	10,140	1,702	4,558	9,582	10,140	1,341
VII. Earnings from continuous activities	19,922	17,266	6,982	1,488	3,675	8,178	6,982	1,251
VIII. Net earnings of the period	19,922	17,266	6,982	1,488	3,675	8,178	6,982	1,251

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.
2 Available data: January 2017.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Aggregated income statement. Portfolio management companies[1]

TABLE 2.10

Thousand euro[2]	2012	2013	2014	2015	2016
I. Interest income	733	667	574	399	83
II. Net commission	7,879	9,362	11,104	8,526	6,617
Commission revenues	17,887	18,603	15,411	13,064	6,617
Portfolio management	16,307	17,028	13,572	11,150	4,228
Design and advising	1,579	1,575	849	371	354
Other	0	0	990	1,544	2,035
Commission expenses	10,008	9,241	4,307	4,538	0
III. Financial investment income	4	9	-6	-28	-1
IV. Net exchange differences and other operating products and expenses	-1	-32	-237	-234	-126
V. Gross income	8,615	10,006	11,435	8,663	6,573
VI. Operating income	1,406	3,554	5,860	3,331	3,172
VII. Earnings from continuous activities	1,411	3,563	5,860	3,331	3,172
VIII. Net earnings of the period	953	2,472	4,135	2,335	2,222

1 Only public information about portfolio management companies is 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

				2015	2016			
	2014	2015	2016	IV	I	II	III	IV
TOTAL[3]								
Total capital ratio[4]	40.27	44.36	43.87	44.36	40.58	40.12	47.15	43.87
Own funds surplus (thousand euro)	1,056,285	1,109,837	956,055	1,109,837	1,080,658	1,124,389	1,156,546	956,055
Surplus (%)[5]	403.43	454.50	448.43	454.50	407.25	401.44	489.33	448.43
Number of companies according to its surplus percentage								
≤100%	16	14	15	14	16	12	13	15
>100- ≤300%	24	22	26	22	21	25	24	26
>300- ≤500%	12	13	11	13	13	15	14	11
>500%	21	21	19	21	17	16	20	19
BROKER-DEALERS								
Total capital ratio[4]	40.84	46.13	45.71	46.13	41.84	41.28	49.25	45.71
Own funds surplus (thousand euro)	981,613	1,055,636	902,562	1,055,636	1,033,495	1,077,548	1,110,524	902,562
Surplus (%)[5]	410.56	476.59	471.38	476.59	422.94	415.94	515.62	471.38
Number of companies according to its surplus percentage								
≤100%	5	4	8	4	8	5	6	8
>100- ≤300%	14	12	12	12	9	12	11	12
>300- ≤500%	6	8	6	8	9	11	10	6
>500%	14	14	14	14	12	12	15	14
BROKERS								
Total capital ratio[4]	24.30	25.58	26.24	25.58	25.97	25.82	25.55	26.24
Own funds surplus (thousand euro)	42,106	48,197	47,527	48,197	47,163	46,841	46,021	47,527
Surplus (%)[5]	203.80	219.78	228.04	219.78	224.66	222.79	219.39	228.04
Number of companies according to its surplus percentage								
≤100%	11	10	7	10	8	7	7	7
>100- ≤300%	8	9	13	9	12	13	13	13
>300- ≤500%	6	5	5	5	4	4	4	5
>500%	4	6	4	6	5	4	5	4
PORTFOLIO MANAGEMENT COMPANIES[3]								
Total capital ratio[4]	133.69	71.26	61.64	71.26	–	–	–	–
Own funds surplus (thousand euro)	32,566	6,004	5,965	6,004	–	–	–	–
Surplus (%)[5]	1,571.12	791.04	670.50	791.04	–	–	–	–
Number of companies according to its surplus percentage								
≤100%	0	0	0	0	–	–	–	–
>100- ≤300%	2	1	1	1	–	–	–	–
>300- ≤500%	0	0	1	0	–	–	–	–
>500%	3	1	0	1	–	–	–	–

1 On January 1st 2014 entered into force the Regulation (EU) N º 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 Circular 2/2014, of 23rd June, of the Comisión Nacional del Mercado de Valores, on the exercise of various regulatory options regarding solvency requirements for investment firms and their consolidated groups.
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 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%.
5 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

	2014	2015	2016	2015 IV	2016 I	II	III	IV
TOTAL[2]								
Average (%)[3]	22.83	15.34	15.97	15.34	12.69	15.84	12.96	15.97
Number of companies according to its annualized return								
Losses	11	21	20	21	27	22	29	20
0-≤15%	30	23	31	23	26	31	24	31
>15-≤45%	23	22	17	22	12	10	14	17
>45-≤75%	11	5	6	5	3	4	5	6
>75%	8	9	9	9	8	10	10	9
BROKER-DEALERS								
Average (%)[3]	23.04	14.85	16.16	14.85	13.16	16.27	12.90	16.16
Number of companies according to its annualized return								
Losses	4	9	8	9	11	11	15	8
0-≤15%	18	14	20	14	16	16	14	20
>15-≤45%	11	10	6	10	7	6	7	6
>45-≤75%	5	4	2	4	1	3	3	2
>75%	2	2	4	2	3	4	3	4
BROKERS								
Average (%)[3]	22.18	21.52	11.53	21.52	6.30	9.60	13.86	11.53
Number of companies according to its annualized return								
Losses	7	12	12	12	16	11	14	12
0-≤15%	11	8	10	8	10	15	10	10
>15-≤45%	8	11	11	11	5	4	7	11
>45-≤75%	6	1	3	1	2	1	2	3
>75%	6	7	5	7	5	6	7	5
PORTFOLIO MANAGEMENT COMPANIES[2]								
Average (%)[3]	16.95	24.49	46.28	24.49	–	–	–	46.28
Number of companies according to its annualized return								
Losses	0	0	0	0	–	–	–	0
0-≤15%	1	1	1	1	–	–	–	1
>15-≤45%	4	1	0	1	–	–	–	0
>45-≤75%	0	0	1	0	–	–	–	1
>75%	0	0	0	0	–	–	–	0

1 ROE has been calculated as:

$$ROE = \frac{Earning\_before\_taxes\_(annualiz}{Own\_Funds}$$

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

2 Only public information about portfolio management companies is 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	2012	2013	2014	2015	2016[2]
ASSETS ADVISED[3]					
Total	14,776,498	17,630,081	21,379,858	25,366,198	28,154,829
Retail clients	3267079	4,991,653	5,707,640	6,777,181	7,435,241
Professional	3594287	3,947,782	4,828,459	5,109,979	5,413,702
Other	7915132	8,690,646	10,843,759	13,479,037	15,305,886
COMMISSION INCOME[4]					
Total	26177	33,272	47,616	56,726	52,050
Commission revenues	26065	33,066	47,037	55,781	51,314
Other income	112	206	579	945	736
EQUITY					
Total	13402	21,498	26,454	25,107	40,255
Share capital	4365	5,156	5,576	5,881	6,834
Reserves and retained earnings	4798	9,453	8,993	7,585	27,127
Income for the year[4]	4239	6,890	11,885	11,531	7,988

1 Annual frequency since 2015 (Circular 3/2014, of 22nd October, of the Comisión Nacional del Mercado de Valores).
2 Assets advised data are provisional, with 94% of registered entities.
3 Data at the end of each period.
4 Accumulated data from the beginning of the year.

3 Collective investment schemes (IICs)[a,b]

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

TABLE 3.1

				2016				2017
	2014	2015	2016	I	II	III	IV	I[1]
Total financial IICs	5,232	5,180	5,035	5,163	5,135	5,108	5,035	4,949
Mutual funds	1,949	1,760	1,748	1,748	1,742	1,750	1,748	1,732
Investment companies	3,228	3,372	3,239	3,367	3,344	3,308	3,239	3,168
Funds of hedge funds	18	11	7	11	10	10	7	8
Hedge funds	37	37	41	37	39	40	41	41
Total real estate IICs	11	9	9	9	9	9	9	10
Real estate mutual funds	4	3	3	3	3	3	3	3
Real estate investment companies	7	6	6	6	6	6	6	7
Total foreign IICs marketed in Spain	805	880	941	904	909	927	941	958
Foreign funds marketed in Spain	405	425	441	428	433	437	441	443
Foreign companies marketed in Spain	400	455	500	476	476	490	500	515
Management companies	96	96	101	100	101	101	101	104
IIC depositories	70	65	56	62	60	59	56	56

1 Available data: February 2017.

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

Number of IICs investors and shareholders[1]

TABLE 3.2

				2015				2017
	2014	2015	2016	I	II	III	IV	I[2]
Total financial IICs	6,859,555	8,164,054	8,704,329	8,185,269	8,291,387	8,498,932	8,704,329	8,852,109
Mutual funds	6,409,344	7,680,124	8,248,249	7,697,093	7,794,859	8,017,629	8,248,249	8,400,014
Investment companies	450,211	483,930	456,080	488,176	491,296	481,303	456,080	452,095
Total real estate IICs	4,866	4,501	4,601	4,510	4,587	4,617	4,601	4,594
Real estate mutual funds	4,021	3,918	3,927	3,928	3,929	3,935	3,927	3,927
Real estate investment companies	845	583	674	582	658	682	674	667
Total foreign IICs marketed in Spain[3]	1,317,674	1,643,776	1,748,604	1,645,699	1,670,136	1,725,099	1,748,604	–
Foreign funds marketed in Spain	230,104	298,733	372,872	325,003	339,328	354,032	372,872	–
Foreign companies marketed in Spain	1,087,570	1,345,043	1,375,732	1,320,696	1,330,808	1,371,067	1,375,732	–

1 Investors and shareholders who invest in many sub-funds from the same IIC 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 Available data: January 2017.
3 Exchange traded funds (ETFs) data is not included.

IICs total net assets

TABLE 3.3

				2016				2017
Million euro	2014	2015	2016	I	II	III	IV	I[1]
Total financial IICs	230,205.70	255,677.0	269,953.8	250,634.5	252,165.5	261,437.0	269,953.8	270,967.5
Mutual funds[2]	198,718.80	222,144.6	237,862.2	218,339.2	220,296.0	229,117.4	237,862.2	239,028.4
Investment companies	31,486.9	33,532.4	32,091.6	32,295.3	31,869.5	32,319.6	32,091.6	31,939.1
Total real estate IICs	1,226.3	1,093.1	1,077.4	1,117.8	1,106.4	1,091.2	1,077.4	1,078
Real estate mutual funds	419.8	391.0	370.1	390.2	383.9	376.9	370.1	370.5
Real estate investment companies	806.5	702.1	707.3	727.5	722.5	714.3	707.3	707.1
Total foreign IICs marketed in Spain[3]	78,904.3	108,091.6	114,990.2	107,329.1	107,989.0	112,523.8	114,990.2	–
Foreign funds marketed in Spain	11,166.0	15,305.1	21,337.5	16,372.7	17,489.5	19,495.4	21,337.5	–
Foreign companies marketed in Spain	67,738.3	92,786.5	93,652.8	90,956.4	90,499.5	93,023.4	93,652.8	–

1 Available data: January 2017.
2 Mutual funds investment in financial mutual funds of the same management company reached 5.7 billion euro in December 2016.
3 Exchange traded funds (ETFs) data is not included.

Mutual funds asset allocation

TABLE 3.4

Million euro	2014	2015	2016	2015 IV	2016 I	II	III	IV
Asset	198,718.8	222,144.6	237,862.2	222,144.6	218,339.2	220,296.0	229,117.4	237,862.2
Portfolio investment	187,693.9	204,797.4	219,141.1	204,797.4	199,377.2	201,128.1	210,750.0	219,141.1
Domestic securities	114,644.5	93,833.6	95,799.1	93,833.6	92,200.6	89,770.7	93,163.0	95,799.1
Debt securities	79,694.4	58,451.3	63,471.1	58,451.3	57,983.1	57,062.9	60,689.9	63,471.1
Shares	8,448.0	8,757.5	8,529.9	8,757.5	7,787.9	7,436.6	7,834.3	8,529.9
Investment collective schemes	6,065.3	5,698.5	6,249.5	5,698.5	5,663.2	5,508.7	5,641.4	6,249.5
Deposits in Credit institutions	19,927.4	20,482.9	17,134.3	20,482.9	20,559.8	19,505.5	18,712.9	17,134.3
Derivatives	495.4	433.7	405.7	433.7	197.2	245.9	275.8	405.7
Other	14.0	9.7	8.5	9.7	9.5	11.2	8.7	8.5
Foreign securities	73,048.3	110,957.0	123,336.0	110,957.0	107,171.1	111,351.6	117,579.5	123,336.0
Debt securities	38,582.2	48,542.8	56,307.9	48,542.8	47,603.5	51,101.6	54,092.7	56,307.9
Shares	13,042.9	18,654.1	20,035.3	18,654.1	17,699.4	17,874.2	18,500.2	20,035.3
Investment collective schemes	20,863.9	43,365.7	46,435.1	43,365.7	41,507.4	41,991.6	44,540.0	46,435.1
Deposits in Credit institutions	243.3	104.1	81.2	104.1	125.0	171.6	95.7	81.2
Derivatives	310.6	285.6	474.3	285.6	231.4	208.8	347.6	474.3
Other	5.4	4.8	2.3	4.8	4.4	3.8	3.3	2.3
Doubtful assets and matured investment	1.2	6.8	6.1	6.8	5.5	5.9	7.5	6.1
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	10,895.0	16,594.5	18,392.6	16,594.5	18,354.2	18,117.7	17,559.1	18,392.6
Net balance (Debtors - Creditors)	129.9	752.7	328.5	752.7	607.8	1,050.1	808.3	328.5

Investment companies asset allocation

TABLE 3.5

Million euro	2014	2015	2016	2015 IV	2016 I	II	III	IV
Asset	31,486.9	33,532.4	32,091.6	33,532.4	32,295.3	31,869.5	32,319.6	32,091.6
Portfolio investment	29,080.6	30,035.2	28,127.7	30,035.2	28,549.3	27,852.8	28,450.5	28,127.7
Domestic securities	11,063.7	9,424.4	7,707.1	9,424.4	8,796.2	8,046.9	7,954.8	7,707.1
Debt securities	5,115.9	3,663.3	2,395.4	3,663.3	3,338.2	2,765.4	2,508.5	2,395.4
Shares	3,324.4	3,090.3	2,871.9	3,090.3	2,913.2	2,670.7	2,788.1	2,871.9
Investment collective schemes	1,433.0	1,418.4	1,485.3	1,418.4	1,355.6	1,411.1	1,522.6	1,485.3
Deposits in Credit institutions	1,169.3	1,226.3	925.3	1,226.3	1,157.8	1,171.4	1,105.2	925.3
Derivatives	-10.8	-7.4	-5.2	-7.4	-3.7	-4.6	-2.7	-5.2
Other	31.9	33.7	34.4	33.7	35.2	32.9	33.0	34.4
Foreign securities	18,015.2	20,608.1	20,412.7	20,608.1	19,748.2	19,800.4	20,490.2	20,412.7
Debt securities	3,897.1	4,472.0	4,263.3	4,472.0	4,455.6	4,600.7	4,456.5	4,263.3
Shares	6,227.7	7,025.9	6,465.5	7,025.9	6,524.8	6,317.8	6,440.9	6,465.5
Investment collective schemes	7,784.2	9,090.2	9,653.0	9,090.2	8,743.3	8,861.7	9,572.2	9,653.0
Deposits in Credit institutions	2.3	6.2	6.7	6.2	8.9	6.5	6.9	6.7
Derivatives	94.4	8.3	15.7	8.3	9.8	7.3	6.4	15.7
Other	9.5	5.5	8.4	5.5	5.9	6.5	7.3	8.4
Doubtful assets and matured investment	1.7	2.7	7.9	2.7	4.8	5.5	5.6	7.9
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	2,197.7	3,211.3	3,791.7	3,211.3	3,389.8	3,684.3	3,596.5	3,791.7
Net balance (Debtors - Creditors)	208.5	285.8	172.2	285.8	356.2	332.3	272.6	172.2

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

TABLE 3.6

	2014	2015	2016	2016 I	II	III	IV	2017 I[3]
NO. OF FUNDS								
Total financial mutual funds	1,951	1,804	1,805	1,799	1,809	1,810	1,805	1,811
Fixed-income[4]	359	319	306	309	312	308	306	307
Mixed fixed-income[5]	123	132	148	135	138	146	148	150
Mixed equity[6]	131	142	168	147	156	166	168	169
Euro equity	103	109	112	111	111	112	112	113
Foreign equity	191	200	201	201	197	201	201	203
Guaranteed fixed-income	280	186	122	171	155	135	122	120
Guaranteed equity[7]	273	205	198	204	201	196	198	200
Global funds	162	178	203	185	198	200	203	205
Passive management	227	213	220	221	222	221	220	215
Absolute return	102	97	106	92	98	104	106	108
INVESTORS								
Total financial mutual funds	6,409,806	7,682,947	8,253,611	7,699,646	7,800,091	8,022,685	8,253,611	8,406,009
Fixed-income[4]	1,941,567	2,203,847	2,347,984	2,222,005	2,274,700	2,315,533	2,347,984	2,357,701
Mixed fixed-income[5]	603,099	1,130,190	1,043,798	1,113,180	1,075,219	1,033,454	1,043,798	1,071,460
Mixed equity[6]	377,265	612,276	448,491	596,136	556,818	451,040	448,491	455,581
Euro equity	381,822	422,469	395,697	412,495	392,465	387,786	395,697	413,666
Foreign equity	705,055	1,041,517	1,172,287	1,052,810	1,052,225	1,138,697	1,172,287	1,229,291
Guaranteed fixed-income	669,448	423,409	307,771	378,017	355,577	325,955	307,771	309,095
Guaranteed equity[7]	557,030	417,843	552,445	463,423	497,543	515,563	552,445	559,522
Global funds	223,670	381,590	658,722	383,066	456,609	625,931	658,722	676,175
Passive management	686,526	554,698	746,233	557,262	609,995	681,545	746,233	741,487
Absolute return	264,324	479,182	565,325	505,442	513,724	532,151	565,325	577,202
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	198,718.8	222,144.6	237,862.2	218,339.2	220,296.0	229,117.4	237,862.2	239,028.4
Fixed-income[4]	70,330.9	65,583.8	74,226.4	67,765.4	70,308.6	73,001.3	74,226.4	73,896.2
Mixed fixed-income[5]	24,314.3	44,791.8	40,065.6	42,585.9	40,541.2	39,644.2	40,065.6	40,216.5
Mixed equity[6]	13,570.4	21,502.9	16,310.6	20,170.2	17,595.1	15,601.3	16,310.6	16,648.4
Euro equity	8,401.5	9,092.9	8,665.9	8,160.0	7,410.3	7,795.7	8,665.9	8,721.4
Foreign equity	12,266.4	17,143.2	17,678.8	16,162.8	15,424.4	16,274.4	17,678.8	18,245.6
Guaranteed fixed-income	20,417.0	12,375.6	8,679.8	10,818.8	9,854.5	9,066.1	8,679.8	8,669.1
Guaranteed equity[7]	12,196.4	9,966.6	15,475.7	11,862.3	13,277.3	14,064.6	15,475.7	15,583.4
Global funds	6,886.3	12,683.3	20,916.8	12,300.8	16,190.4	20,067.8	20,916.8	21,391.2
Passive management	23,837.5	17,731.1	23,601.6	17,403.6	18,534.2	21,872.0	23,601.6	23,172.9
Absolute return	6,498.1	11,228.1	12,215.2	11,073.7	11,134.1	11,704.0	12,215.2	12,457.9

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 Available data: January 2017.
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

				2016				2017
	2014	2015	2016	I	II	III	IV	I[1]
INVESTORS								
Total financial mutual funds	6,409,806	7,682,947	8,253,611	7,699,646	7,800,091	8,022,685	8,253,611	8,406,009
Individuals	6,235,148	7,494,162	8,059,916	7,512,398	7,612,930	7,832,380	8,059,916	8,212,548
Residents	6,170,201	7,422,330	7,985,404	7,440,677	7,541,093	7,758,911	7,985,404	8,137,602
Non-residents	64,947	71,832	74,512	71,721	71,837	73,469	74,512	74,946
Legal entities	174,658	188,785	193,695	187,248	187,161	190,305	193,695	193,461
Credit Institutions	493	532	497	480	483	508	497	506
Other resident Institutions	173,351	187,395	192,381	185,938	185,856	188,995	192,381	192,147
Non-resident Institutions	814	858	817	830	822	802	817	808
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	198,718.8	222,144.6	237,862.2	218,339.2	220,296.0	229,117.4	237,862.2	239,028.4
Individuals	159,423.5	181,868.0	195,567.5	178,669.1	180,902.2	188,220.8	195,567.5	196,462.9
Residents	157,135.2	179,232.4	192,743.0	176,070.8	178,305.7	185,467.5	192,743.0	193,631.4
Non-residents	2,288.3	2,635.6	2,824.5	2,598.2	2,596.4	2,753.2	2,824.5	2,831.5
Legal entities	39,295.4	40,276.6	42,294.8	39,670.2	39,393.8	40,896.6	42,294.8	42,565.6
Credit Institutions	459.8	483.0	374.3	500.3	471.0	440.9	374.3	493.5
Other resident Institutions	38,245.2	39,071.0	41,212.4	38,598.3	38,304.7	39,806.0	41,212.4	41,350.9
Non-resident Institutions	590.4	722.6	708.1	571.5	618.0	649.7	708.1	721.1

1 Available data: January 2017.

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

TABLE 3.8

				2015	2016			
Million euro	2014	2015	2016	IV	I	II	III	IV
SUBSCRIPTIONS								
Total financial mutual funds	136,161.2	159,036.2	113,274.7	33,581.4	26,772.1	27,272.4	27,729.7	31,500.5
Fixed-income	65,698.5	66,789.7	53,163.3	17,294.7	14,415.3	13,923.7	10,893.9	13,930.4
Mixed fixed-income	21,675.7	36,441.2	11,065.3	5,234.2	2,429.8	2,695.9	2,417.0	3,522.6
Mixed equity	8,991.2	13,771.0	4,250.6	2,222.3	1,038.1	816.9	807.5	1,588.1
Euro equity	6,702.0	6,719.9	3,716.3	1,301.3	999.5	931.1	583.2	1,202.5
Foreign equity	5,843.2	11,236.2	7,167.6	2,509.4	1,560.4	1,584.4	1,636.1	2,386.7
Guaranteed fixed-income	847.8	562.4	2,005.3	61.5	131.1	688.7	460.8	724.7
Guaranteed equity	3,684.6	1,993.2	7,942.5	1,108.2	2,370.8	2,187.2	1,389.6	1,994.9
Global funds	3,752.9	9,636.1	8,914.5	1,636.2	1,303.2	1,159.9	4,778.0	1,673.4
Passive management	15,081.3	3,350.5	10,195.7	807.6	969.2	2,417.1	3,647.4	3,162.0
Absolute return	3,884.4	8,363.0	4,853.2	1,406.1	1,554.4	867.4	1,116.2	1,315.2
REDEMPTIONS								
Total financial mutual funds	100,188.5	135,569.6	99,492.3	33,228.4	27,264.5	25,258.2	21,831.0	25,138.6
Fixed-income	52,205.8	72,141.1	45,549.5	18,872.3	12,336.8	12,087.6	8,493.1	12,632.0
Mixed fixed-income	5,963.7	15,273.7	14,242.9	4,268.1	4,034.2	3,258.2	3,617.0	3,333.5
Mixed equity	2,423.5	5,617.2	7,280.8	1,471.8	1,750.9	1,199.9	3,119.7	1,210.3
Euro equity	4,517.1	6,251.0	4,259.2	1,079.7	1,251.1	1,341.2	755.8	911.1
Foreign equity	5,311.4	7,175.7	6,821.0	1,889.6	1,884.8	1,684.0	1,398.9	1,853.3
Guaranteed fixed-income	11,301.4	7,369.8	5,208.0	884.5	1,399.3	1,653.6	1,273.9	881.2
Guaranteed equity	4,594.1	4,593.0	2,464.1	1,007.9	617.9	666.7	619.5	560.0
Global funds	1,570.6	3,830.8	5,334.6	985.0	1,381.2	1,443.1	1,240.5	1,269.8
Passive management	10,110.4	9,614.7	4,405.7	1,938.2	1,121.6	1,089.0	664.2	1,530.9
Absolute return	2,190.5	3,551.6	3,906.8	819.0	1,477.0	824.9	648.4	956.5

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.

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

TABLE 3.9

Million euro	2014	2015	2016	2015 IV	2016 I	II	III	IV
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	35,794.5	22,763.6	13,823.2	234.5	-508.8	2,007.5	5,995.8	6,328.7
Fixed-income	13,821.0	-4,816.1	8,243.5	-1,657.0	2,093.1	2,387.0	2,456.3	1,307.1
Mixed fixed-income	15,689.2	20,903.0	-4,750.8	837.6	-1,618.6	-2,165.9	-1,165.1	198.8
Mixed equity	6,842.3	8,227.3	-5,194.5	877.0	-698.6	-2,573.6	-2,261.0	338.7
Euro equity	-338.3	467.2	-538.0	221.6	-274.1	-394.1	-176.7	306.9
Foreign equity	2,715.6	4,110.2	-32.5	619.8	-132.8	-664.4	246.2	518.5
Guaranteed fixed-income	-11,761.5	-8,093.5	-3,699.6	-1,073.5	-1,566.5	-987.0	-813.1	-333.0
Guaranteed equity	-651.7	-2,396.4	5,465.9	290.0	1,984.5	1,360.5	655.6	1,465.3
Global funds	2,110.3	5,787.9	7,801.3	675.0	-75.7	3,884.7	3,574.9	417.4
Passive management	5,632.0	-6,274.9	5,603.4	-1,130.7	-113.5	1,122.6	2,981.4	1,612.9
Absolute return	1,735.6	4,802.6	943.5	587.0	-97.4	47.6	497.3	496.0
RETURN ON ASSETS								
Total financial mutual funds	6,260.3	680.1	1,909.9	3,136.5	-3,290.6	-50.4	2,834.7	2,416.2
Fixed-income	1,451.7	69.3	399.3	261.5	88.4	156.2	236.5	-81.8
Mixed fixed-income	487.2	-425.2	25.1	418.1	-587.1	121.6	268.2	222.4
Mixed equity	415.5	-294.8	2.2	487.3	-634.1	-1.5	267.2	370.6
Euro equity	107.0	224.2	110.8	335.4	-658.8	-355.7	562.1	563.2
Foreign equity	701.7	766.6	568.4	977.8	-847.6	-73.9	603.9	886.0
Guaranteed fixed-income	697.3	52.1	3.9	11.7	9.7	22.7	24.7	-53.2
Guaranteed equity	344.5	166.6	43.1	109.0	-88.8	54.5	131.7	-54.3
Global funds	248.0	9.3	432.1	265.2	-306.9	4.9	302.5	431.6
Passive management	1,704.8	185.5	281.5	225.0	-208.3	8.0	365.2	116.6
Absolute return	102.7	-72.7	43.7	45.4	-56.9	12.8	72.6	15.2

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

Financial mutual funds return on assets. Detail by category[1,2]

TABLE 3.10

% of daily average total net assets	2014	2015	2016	2015 IV	2016 I	II	III	IV
MANAGEMENT YIELDS								
Total financial mutual funds	4.60	1.41	1.91	1.71	-1.26	0.24	1.54	1.29
Fixed-income	3.12	0.85	1.24	0.59	0.30	0.39	0.50	0.05
Mixed fixed-income	4.43	0.14	1.26	1.25	-1.07	0.60	0.98	0.85
Mixed equity	5.84	-0.12	1.45	2.65	-2.78	0.35	2.07	2.71
Euro equity	3.36	4.41	3.38	4.14	-7.64	-3.89	7.81	7.48
Foreign equity	8.02	6.80	5.55	6.26	-4.84	0.02	4.27	5.87
Guaranteed fixed-income	3.78	1.25	0.79	0.32	0.30	0.42	0.45	-0.46
Guaranteed equity	4.09	2.75	1.09	1.40	-0.61	0.63	1.17	-0.22
Global funds	5.73	1.25	3.95	2.43	-2.23	0.32	2.08	2.43
Passive management	8.22	1.65	2.11	1.41	-1.02	0.23	1.92	0.66
Absolute return	2.99	0.29	1.41	0.70	-0.28	0.37	0.89	0.38
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.98	1.00	0.95	0.26	0.24	0.23	0.25	0.23
Fixed-income	0.70	0.66	0.58	0.16	0.14	0.14	0.15	0.14
Mixed fixed-income	1.19	1.15	1.12	0.29	0.28	0.28	0.28	0.27
Mixed equity	1.41	1.41	1.40	0.36	0.34	0.35	0.35	0.36
Euro equity	1.78	1.76	1.75	0.45	0.43	0.43	0.44	0.44
Foreign equity	1.77	1.71	1.71	0.43	0.41	0.41	0.43	0.45
Guaranteed fixed-income	0.88	0.84	0.68	0.21	0.19	0.17	0.16	0.15
Guaranteed equity	1.20	1.05	0.70	0.24	0.20	0.18	0.17	0.16
Global funds	1.19	1.06	1.26	0.27	0.25	0.26	0.44	0.28
Passive management	0.64	0.64	0.56	0.16	0.15	0.15	0.13	0.13
Absolute return	1.07	0.99	0.96	0.25	0.24	0.24	0.25	0.24
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.08	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Fixed-income	0.08	0.08	0.07	0.02	0.02	0.02	0.02	0.02
Mixed fixed-income	0.09	0.09	0.09	0.02	0.02	0.02	0.02	0.02
Mixed equity	0.11	0.11	0.11	0.03	0.03	0.03	0.03	0.03
Euro equity	0.12	0.12	0.12	0.03	0.03	0.03	0.03	0.03
Foreign equity	0.11	0.12	0.12	0.03	0.03	0.03	0.03	0.03
Guaranteed fixed-income	0.08	0.06	0.06	0.02	0.02	0.02	0.02	0.02
Guaranteed equity	0.08	0.08	0.06	0.02	0.02	0.01	0.01	0.01
Global funds	0.09	0.08	0.10	0.02	0.02	0.02	0.03	0.02
Passive management	0.07	0.07	0.06	0.02	0.02	0.02	0.01	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 Annual data revised from 2014.

Mutual funds quarterly returns. Detail by category[1]

TABLE 3.11

In %	2014	2015	2016	2015 IV	2016 I	II	III	IV
Total financial mutual funds	3.67	0.89	0.98	1.51	-1.36	-0.03	1.34	1.05
Fixed-income	2.41	0.10	0.52	0.38	0.16	0.23	0.34	-0.21
Mixed fixed-income	3.67	0.16	0.27	0.97	-1.27	0.30	0.69	0.56
Mixed equity	4.70	0.15	1.19	2.43	-2.84	0.00	1.75	2.35
Euro equity	2.09	3.44	2.61	4.12	-6.99	-4.49	7.89	7.06
Foreign equity	6.61	7.84	4.15	6.30	-4.62	-0.44	4.00	5.46
Guaranteed fixed-income	2.54	0.27	-0.03	0.09	0.09	0.19	0.26	-0.58
Guaranteed equity	2.64	1.07	0.19	1.18	-0.87	0.37	0.97	-0.27
Global funds	4.63	2.45	1.99	2.33	-2.21	0.02	2.09	2.13
Passive management	7.74	0.53	1.16	1.23	-1.13	-0.03	1.63	0.71
Absolute return	1.98	0.12	0.38	0.45	-0.51	0.12	0.65	0.12

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

Hedge funds and funds of hedge funds

TABLE 3.12

	2013	2014	2015	2015 IV	2016 I	II	III	IV[1]
HEDGE FUNDS								
Investors/shareholders	2,415	2,819	3,089	3,089	3,011	2,928	2,916	2,925
Total net assets (million euro)	1,036.7	1,369.5	1,764.8	1,764.8	1,652.2	1,690.2	1,793.0	1,766.1
Subscriptions (million euro)	401.7	574.6	596.6	51.2	44.2	123.5	87.4	48.5
Redemptions (million euro)	414.3	293.8	260.5	58.5	130.4	76.1	43.3	85.8
Net subscriptions/redemptions (million euro)	-12.6	280.8	336.1	-7.3	-86.2	47.5	44.0	-37.3
Return on assets (million euro)	130.0	52.0	56.3	63.6	-26.4	-9.4	58.8	4.8
Returns (%)	16.48	5.30	4.83	3.90	-1.30	-0.50	3.62	-0.01
Management yields (%)[2]	17.22	7.39	6.17	4.36	-0.90	-0.34	4.25	0.52
Management fee (%)[2]	2.87	2.21	2.34	0.60	0.71	0.37	0.61	0.33
Financial expenses (%)[2]	0.04	0.32	0.51	0.10	0.10	0.00	0.00	0.00
FUNDS OF HEDGE FUNDS								
Investors/shareholders	3,022	2,734	1,265	1,265	1,262	1,255	1,244	1,242
Total net assets (million euro)	350.3	345.4	319.8	319.8	306.3	290.7	286.7	292.8
Subscriptions (million euro)	4.9	7.1	8.3	3.8	0.0	0.0	0.0	–
Redemptions (million euro)	215.2	40.8	54.9	29.1	4.4	17.2	5.4	–
Net subscriptions/redemptions (million euro)	-210.3	-33.7	-46.6	-25.3	-4.4	-17.2	-5.4	–
Return on assets (million euro)	20.6	28.9	21.0	7.2	-9.1	1.7	1.4	–
Returns (%)	4.39	8.48	6.16	2.07	-2.89	0.56	0.48	2.14
Management yields (%)[3]	5.78	9.72	6.61	2.45	-2.72	0.8	0.71	–
Management fee (%)[3]	1.28	1.07	0.48	0.23	0.21	0.19	-0.21	–
Depository fee (%)[3]	0.08	0.08	0.04	0.02	0.01	0.01	-0.01	–

1 Available data: November 2016.
2 % of monthly average total net assets.
3 % of daily average total net assets.

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

TABLE 3.13

				2016				2017
	2014	2015	2016	I	II	III	IV	I[2]
NUMBER OF PORTFOLIOS[3]								
Mutual funds	1,949	1,760	1,748	1,748	1,742	1,750	1,748	1,735
Investment companies	3,164	3,333	3,231	3,338	3,323	3,297	3,231	3,195
Funds of hedge funds	18	11	41	11	10	10	41	41
Hedge funds	35	37	7	37	39	40	7	7
Real estate mutual funds	4	3	3	3	3	3	3	3
Real estate investment companies	7	6	6	6	6	6	6	7
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	198,718.8	222,144.6	237,862.2	218,339.2	220,296.0	229,117.4	237,862.2	239,028.4
Investment companies	30,613.8	32,879.4	31,783.2	31,766.3	31,425.4	31,914.4	31,783.2	31,624.4
Funds of hedge funds[4]	345.4	319.8	–	310.7	290.7	286.7	292.8	–
Hedge funds[4]	1,328.0	1,764.8	–	1,622.7	1,690.2	1,793.0	1,766.1	–
Real estate mutual funds	419.8	391.0	370.1	390.2	383.9	376.9	370.1	370.5
Real estate investment companies	806.5	702.1	707.3	727.5	722.5	714.3	707.3	718.5

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 Available data: January 2017.
3 Data source: Collective Investment Schemes Registers.
4 Available data for IV Quarter 2016: November 2016.

Foreign Collective Investment Schemes marketed in Spain[1]

TABLE 3.14

				2015	2016			
	2014	2015	2016	IV	I	II	III	IV
INVESTMENT VOLUME[2] (million euro)								
Total	78,904.3	108,091.6	114,990.2	108,091.6	107,329.1	107,989.0	112,523.8	114,990.2
Mutual funds	11,166.0	15,305.1	21,337.5	15,305.1	16,372.7	17,489.5	19,495.4	21,337.5
Investment companies	67,738.3	92,786.5	93,652.8	92,786.5	90,956.4	90,499.5	93,028.4	93,652.8
INVESTORS/SHAREHOLDERS								
Total	1,317,674	1,643,776	1,748,604	1,643,776	1,645,699	1,670,136	1,725,099	1,748,604
Mutual funds	230,104	298,733	372,872	298,733	325,003	339,328	354,032	372,872
Investment companies	1,087,570	1,345,043	1,375,732	1,345,043	1,320,696	1,330,808	1,371,067	1,375,732
NUMBER OF SCHEMES								
Total	805	880	941	880	904	909	927	941
Mutual funds	405	425	441	425	428	433	437	441
Investment companies	400	455	500	455	476	476	490	500
COUNTRY								
Luxembourg	333	362	391	362	378	372	385	391
France	264	282	286	282	277	282	283	286
Ireland	117	143	160	143	152	152	156	160
Germany	33	32	32	32	32	32	32	32
UK	26	31	32	31	31	32	32	32
The Netherlands	2	2	2	2	2	2	2	2
Austria	25	23	23	23	23	22	22	23
Belgium	4	4	4	4	4	4	4	4
Denmark	1	1	1	1	1	1	1	1
Finland	0	0	4	0	4	4	4	4
Liechtenstein	0	0	6	0	0	6	6	6

1 Exchange traded funds (ETFs) data is not included.
2 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

				2016				2017
	2014	2015	2016	I	II	III	IV	I[2]
REAL ESTATE MUTUAL FUNDS								
Number	3	3	3	3	3	3	3	3
Investors	4,021	3,918	3,927	3,928	3,929	3,935	3,927	3,927
Asset (million euro)	419.8	391	370.1	390.2	383.9	376.9	370.1	370.5
Return on assets (%)	-5.87	-6.66	-5.35	-0.21	-1.61	-1.82	-1.81	0.13
REAL ESTATE INVESTMENT COMPANIES								
Number	7	6	6	6	6	6	6	7
Shareholders	845	583	674	582	658	682	674	668
Asset (million euro)	806.5	702.1	707.3	727.5	722.5	714.3	707.3	718.5

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: January 2017.