CNMV BULLETIN
Quarter III
2015

CNMV BULLETIN

Quarter III
2015

The CNMV publishes this Quarterly Bulletin to spread research in order to contribute to the best knowledge of the stock markets and their regulation.

The opinions in these articles are the sole responsibility of the authors and do not necessarily coincide with those of the CNMV.

The CNMV distributes its reports and publications via the Internet at www.cnmv.es.

ISSN (digital edition): 1988-2025

Layout: Composiciones Rali, S.A.

Table of contents

Abbreviations

ABS	Asset-Backed Security
AIAF	Asociación de Intermediarios de Activos Financieros (Spanish market in fixed-income securities)
ANCV	Agencia Nacional de Codificación de Valores (Spain's national numbering agency)
ASCRI	Asociación española de entidades de capital-riesgo (Association of Spanish venture capital firms)
AV	Agencia de valores (Broker)
AVB	Agencia de valores y bolsa (Broker and market member)
BME	Bolsas y Mercados Españoles (Operator of all stock markets and financial systems in Spain)
BTA	Bono de titulización de activos (Asset-backed bond)
BTH	Bono de titulización hipotecaria (Mortgage-backed bond)
CADE	Central de Anotaciones de Deuda del Estado (Public debt book-entry trading system)
CCP	Central Counterparty
CDS	Credit Default Swap
CNMV	Comisión Nacional del Mercado de Valores (Spain's National Securities Market Commission)
CSD	Central Securities Depository
EAFI	Empresa de Asesoramiento Financiero (Financial advisory firm)
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
ECR	Entidad de capital-riesgo (Venture capital firm)
EIOPA	European Insurance and Occupational Pensions Authority
EMU	Economic and Monetary Union (Euro area)
ESA	European Supervisory Authorities
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	Exchange-Traded Fund
EU	European Union
FI	Fondo de inversión de carácter financiero (Mutual fund)
FII	Fondo de inversión inmobiliaria (Real estate investment fund)
FIICIL	Fondo de instituciones de inversión colectiva de inversión libre (Fund of hedge funds)
FIL	Fondo de inversión libre (Hedge fund)
FSB	Financial Stability Board
FTA	Fondo de titulización de activos (Asset securitisation trust)
FTH	Fondo de titulización hipotecaria (Mortgage securitisation trust)
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIC	Institución de inversión colectiva (CIS)

IICIL	Institución de inversión colectiva de inversión libre (Hedge fund)
IIMV	Instituto Iberoamericano del Mercado de Valores
IOSCO	International Organization of Securities Commissions
ISIN	International Securities Identification Number
Latibex	Market in Latin American securities, based in Madrid
MAB	Mercado Alternativo Bursátil (Alternative Stock Exchange)
MEFF	Spanish financial futures and options market
MFAO	Mercado de Futuros del Aceite de Oliva (Olive oil futures market)
MIBEL	Mercado Ibérico de Electricidad (Iberian electricity market)
MiFID	Markets in Financial Instruments Directive
MoU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
P/E	Price-earnings ratio
PRIIPs	Packaged retail investment products and insurance-based investment products
RENADE	Registro Nacional de los Derechos de Emisión de Gases de Efectos Invernadero (Spain's national register of greenhouse gas emission permits)
ROE	Return on Equity
SCLV	Servicio de Compensación y Liquidación de Valores (Spain's securities clearing and settlement system)
SCR	Sociedad de capital-riesgo (Venture capital company)
SENAF	Sistema Electrónico de Negociación de Activos Financieros (Electronic trading platform in Spanish government bonds)
SEPBLAC	Servicio Ejecutivo de la Comisión de Prevención del Blanqueo de Capitales e infracciones monetarias (Bank of Spain unit to combat money laundering)
SGC	Sociedad gestora de carteras (Portfolio management company)
SGECR	Sociedad gestora de entidades de capital-riesgo (Venture capital firm management company)
SGFT	Sociedad gestora de fondos de titulización (Asset securitisation trust management company)
SGIIC	Sociedad gestora de instituciones de inversión colectiva (CIS management company)
SIBE	Sistema de Interconexión Bursátil Español (Spain's electronic market in securities)
SICAV	Sociedad de inversión de carácter financiero (Open-end investment company)
SII	Sociedad de inversión inmobiliaria (Real estate investment company)
SIL	Sociedad de inversión libre (Hedge fund in the form of a company)
SME	Small and medium-sized enterprise
SON	Sistema Organizado de Negociación (Multilateral trading facility)
SV	Sociedad de valores (Broker-dealer)
SVB	Sociedad de valores y bolsa (Broker-dealer and market member)
TER	Total Expense Ratio
UCITS	Undertaking for Collective Investment in Transferable Securities

I Securities markets and their agents: Situation and outlook

Contents

List of exhibits

1 Executive summary

- The world economy and financial markets have been dominated in the last few months by doubts about Greek debt negotiations, only settled in July, and since then by turbulence rippling out from China's financial markets forcing the authorities to step in repeatedly and raising questions about just how sharply Asian economies are slowing. Perceptions of slowing activity in China and other emerging economies led to downgrades in growth forecasts for the advanced economies further muddying the issue of when the Federal Reserve would start raising rates. While it was thought highly likely the Federal Reserve would bite the bullet by the summer's end, in fact the Federal Open Market Committee (FOMC) meeting of 16 and 17 September left rates unchanged, arguing that the US economy was still well below its 2% inflation target. The press release also underlined the Federal Reserve's worries about the wider global economy.

- Against this background, international financial markets went through some turbulent times, which only fell off in September.[1] These bouts of turbulence were most severe in equity markets, where leading indices lost heavily in the third quarter, in several cases wiping out all the gains of the earlier months. Volatility also surged to above 40% at its peak. In fixed-income markets, the yields on ten-year sovereign debt of the world's biggest economies – which had widened in the second quarter amid fears for Greece – narrowed again during the third quarter. Chinese turbulence had less of an impact on these yields, which were more affected by their safe-haven status and, in Europe, by the European Central Bank's (ECB) asset purchase programme. Risk premiums followed a similar pattern, holding broadly stable over the quarter.

- Spanish economic activity is performing very well. GDP grew at more than 3% in annualised terms during the second quarter, driven by strong domestic demand. Vigorous growth fed through to the labour market, where employment figures rose by near 3% and the jobless rate dropped to 22.4% of the active population (second quarter figures). Inflation, meanwhile, has been in negative territory for most of the year, heavily affected by the fall in fuel prices. Stripping out the most volatile factors, the CPI rate has hovered between 0.2% and 0.8% over the year.

- In the banking sector, meanwhile, the pickup in Spain's economy and their easier access to financing are having a positive effect on the business done by banks, boosting margins. Sector solvency is also favourable and NPL ratios continue to decline, to 11% by mid-year. That noted, the low-interest rate

1 The closing date for this report is 15 September.

environment and heavy backlog of unproductive assets pose a major challenge to banks' business models in the short and medium terms.

- The financial statements of listed companies also reflect renewed growth of activity in the country. Earnings were up by 54% in the first half-year, to 13.75 billion with strong gains by all sectors except energy. Borrowings of listed companies edged up by 2.3% between January and June though this was not enough to derail a fall in aggregate leverage.

- Domestic equity markets suffered substantial losses in the third quarter, hit, like other stock markets, by turbulence in Greece and China. In September, other factors of uncertainty, such as the exposure of some Spanish companies to struggling Latin American economies, also acted as a drag on the market. For many companies, share price declines for two consecutive quarters wiped out the strong gains of the year's early months. The Ibex 35 lost 9.2% in the third quarter and is down 4.8% year to date. Market volatility also experienced sporadic surges, touching 46% in late August. Trading volumes fell back somewhat during the third quarter but year-to-date figures still show a 30% increase on the same period last year, to 850 billion euros. The trend in new share issues was similar: fewer calls on the market in the latest quarter reflecting the rise in volatility and summer break, but a healthy performance in the year so far thanks to new share offerings and capital increases in the first six months. The volume of share issuance to mid-September was 33.63 billion euros, more than the full-year total for 2014 (32.76 billion).

- Spanish fixed-income markets also suffered a degree of instability, prompting sporadic upticks in yields which gradually faded away once a deal was struck on the third Greek bailout. Once this uncertainty was over, yields on public and private debt began to fall again across all terms of the curve and, despite modest jumps in response to events in China, ended the quarter on a smooth downtrend. The market continues to enjoy the benefits of the ECB's asset purchase programme although its impact is increasingly attenuated. Credit risk premiums also fell as the Greek situation returned to normal and subsequent rises were far less severe. Over the year to date sovereign risk premium is up slightly as are premiums on financial issuers, exposed to stuttering emerging economies and various political uncertainties. New issuance eased off in the third quarter, down 5% on second quarter volumes, but cumulative figures for the year show volumes up 28% compared to the same period 2014, at 85.54 billion euros.

- The collective investment industry continued its expansion during the year's second quarter. Funds still offer competitive advantages over the meagre rates available on bank deposits. Assets managed by investment funds topped 222 billion euros in mid-year, up 11.7% since the end of 2014. Some 90% of this rise came from subscriptions by unit-holders, who, in contrast to previous years, were showing a healthy appetite for higher-risk funds. The funds industry has been growing since 2013 and, as a result, investment managers posted substantial growth in interim profits, up by 20% on the first half 2014. If this pace of growth were to be sustained the aggregate full-year results for the sector would be 654 million euros.

- Market turbulence meant that investment firms were trading in a complex environment during the first half of the year. Total sector profits before tax, which had improved over the past two years, fell by 11.3% in the year to June (266 million euros in annualised terms). This drop in profitability was traceable to different income statement items. Firms' key fee items suffered substantial falls, except for CIS sales. Net interest income also contributed less as did some currency transactions. The number of firms recording losses in June rose to twelve, two more than in 2014, although the industry remains healthily solvent.

- The report includes six exhibits:

  – The first looks at recent developments in the Chinese economy and its financial markets, highlighting possible implications for global financial markets.

  – The second sets out the key features of the extension of the ECB's asset purchase programme and some of its effects.

  – The third summarises the main changes to the clearing, settlement and registration of securities brought in by Spain's Law 11/2015.

  – The fourth presents the key features of CNMV Circular 1/2015 on data and statistical information on market infrastructures.

  – The fifth describes recently introduced measures to improve transparency in the marketing of CIS.

  – Finally, the sixth exhibit summarises information taken from the 2014 statements on codes of conduct of investment services firms.

2 Macro-financial background

2.1 International economic and financial developments

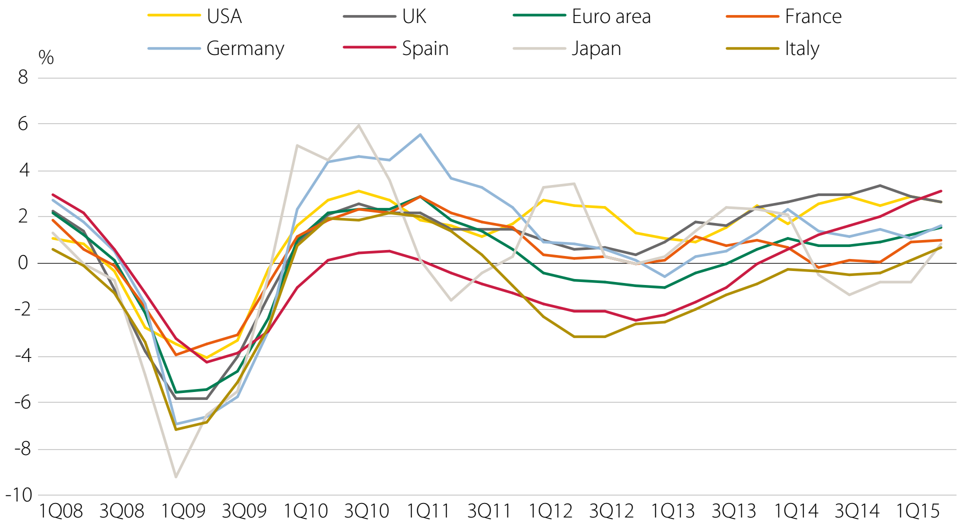
First half data showed a slowdown in emerging economies, with China a particular source of concern…

Activity data for the first half showed improvements in most advanced economies, helped by lower oil prices, and some slowing of emerging economies, hampered by falls in commodity prices, currency depreciation and in some cases on-going domestic imbalances. At the fore of these concerns was the uncertainty surrounding China, whose financial markets hit a wave of volatility in the summer prompting the People's Bank of China (PBoC) to intervene. The ripples from events in Asia's biggest economy (see exhibit 1) have not only boosted volatility in many of the world's stock markets but continue to drive downgrades to growth forecasts for advanced economies.

… and stronger recovery in advanced economies, helped by falling oil prices and, in the euro area, currency depreciation.

As figure 1 shows, GDP grew fastest in the United States and United Kingdom, at annualised rates of just below 3% in the second quarter. In the euro area, economic activity was helped in the early months of the year by sharp falls in commodity prices, especially energy prices, and a cheaper euro. GDP for the zone grew 1.2% in the first quarter and 1.5% in the second in annualised terms, although the picture was very mixed across the various euro economies. Conspicuously strong was the recovery in Spain, with annualised growth of over 3% in the second quarter.

Gross domestic product (annual % change) FIGURE 1



Source: Thomson Datastream.

Recent trends in the Chinese economy and markets and implications for global financial markets EXHIBIT 1

During 2015, international financial markets showed greater sensitivity to news coming out of China, especially the Chinese government's interventions of recent months in foreign exchange and domestic stock markets.

In the first weeks of August volatility soared across many markets following the Chinese authorities' surprise devaluation of the renminbi. The depreciation was the biggest change in value since 1993 and dragged down other emerging market currencies, particularly those heavily reliant on Chinese imports and some commodity producers. Markets in other instruments, such as equities, suffered falls and there was a global increase in volatility although this was strongest in the above-mentioned economies. The Chinese authorities intervened directly in equity markets, buying shares in a bid to shore up prices, and also took to the currency markets selling off some of their currency reserves to stop the renminbi sliding further than intended.

Commodity markets were also hit by news from China, which buys an estimated one third of the world's raw materials output. Percentages are even higher for products like soya, oil, copper and iron ore. That said, the latest tensions on financial markets have been less severe than during some other recent wobbles, such as the taper tantrum in May 2013 when uncertainty about normalisation of the US Federal Reserve's monetary policy rocked those emerging economies that had built up the greatest imbalances over previous years.

The Chinese authorities have justified their recent devaluation as part of the transition toward a floating currency, parallel to the on-going process of opening up the country's capital account. A freely convertible renminbi is seen as a way of winning influence in the international sphere as it could then qualify for the currency basket used to define Special Drawing Rights, encouraging its use in trade and international financial markets. However, many analysts and market agents read the move as another attempt, albeit driven by events, to boost exports and so mitigate the gathering slowdown experienced by the Chinese economy since 2007. Chinese monetary policy has been loosened substantially since the end of 2014 (cuts in reserve requirements ratios and official interest rates plus liquidity injections to the interbank market) to try and mitigate both the slowdown and the jump in real financing costs for domestic economic agents as a result of sharply falling inflation.

China's economic growth has actually been slowing since the eruption of the global crisis in 2007. The Chinese economy grew 7.3% in 2014, 0.4 points less than in 2013. The slide has continued into 2015 with the second quarter recording a year-on-year growth rate of 7%. Average annual growth in 2010-2014 was 8%, three points less than in 2000-2007.

In its concern to assuage the impact of the crash, the government fell back on public sector infrastructure projects, which have contributed to the spiralling debt of local authorities. Debt owed by non-financial firms also swelled since 2007, mainly in the real estate and associated sectors (steel, cement, copper, etc.). At the same time, there was a rise in loans made in the so-called shadow banking sector: big non-banking firms, often partly publicly owned, lending to smaller subsidiaries, investee firms or independent suppliers who find it harder to tap credit markets (bank loans or bond issues). These so-called entrusted loans[1] provided lenders with a substantial margin given the gap between the rates charged and their cheaper market funding costs. The banks, meanwhile, have also been selling products classed as shadow banking, such as wealth management products which channel the savings of wealthier investors into financing for real estate developers, related companies and large corporates, bypassing limits on direct bank funding to such companies.

As a result, the aggregate debt in the Chinese economy looks to have topped 280% of GDP in 2014, compared to 158% in 2007 and 121% in 2000. Stripping out the financial sector to eliminate double counting,[2] debt was 217% of GDP in 2014, well above the 134% in 2007 or 114% in 2000. Regarding non-financial sector debt, nearly half is linked to real estate, real-estate related companies or construction suppliers while a third comes from shadow banking (compared to around 10% in 2007).

The slowdown in the Chinese economy is in line with the declining potential growth of emerging markets and most advanced economies following the latest international crisis. However, two specifically Chinese factors are causing concerns among analysts and international investors because of their potential repercussions for global economic and financial stability. First, the Chinese authorities are steering their productive capacity toward a more balanced and sustainable growth model, which puts greater emphasis on consumption and less on investment, particularly in residential property. They also want to be less dependent on heavy industry and low value-added manufacturing and instead build up their medium-high tech segments. Such a redirection could mean lower growth rates in future,[3] with a potentially significant impact on exporter countries who have hitherto relied on China's booming market. The recent devaluation of the renminbi, which the market failed to see coming, generated uncertainty about a possible slump in China's economic growth and tensions on financial markets, possibly amplified by the usual thin summer liquidity of the markets.

The second source of worry is the on-going deregulation of the financial system and liberalisation of the capital account. As these processes go on, Chinese financial markets will become more closely tied in to international markets and more responsive to market sensitive information. This in turn will affect the transmission of macro-financial shocks from China, which will spread more easily through domestic and international financial markets. Since mid-2000 the Chinese authorities have been gradually easing restrictions on institutional investors in cross-border market transactions and have simplified the stock market flotation process. In November 2014, they took a major step forward by launching the SHK Stock Connect linking the Shanghai and Hong Kong stock markets. Investors in Hong Kong and mainland China can now trade shares listed on the other market. In April 2015, China's regulator –the China Securities Regulatory Commission (CSRC)–, lifted the ban on local investment funds investing in Hong Kong listed companies through the SHK Stock Connect. The new connection system led to a sharp rise in demand for listed shares in Chinese companies and stimulated activities such as margin lending. The spread of this practice may have contributed to the initial rally in prices and, when the market went into reverse, exacerbated the market's falls as traders rushed to sell off pledged assets to settle or pay down their credit lines. The CSRC is currently tightening regulation of such loans and other related activities by raising the qualifying requirements for authorised investors to use them and banning investment companies from gaining more exposure to leveraged products. The CSRC is also looking to rein in the growth of shadow banking practices, such as entrusted loans.

China's development in the last two decades has a lot in common with the history of other Asian countries (Japan, South Korea or Taiwan) which also started from a low level of development but achieved massive growth, high investment rates, undervalued currencies, a steadily ageing population and a growing openness toward trade and international financial markets. All of them hit a phase of sharply slowing economic growth. The Chinese economy may pose a yet bigger challenge to global economic and financial stability given its size, share of international trade and high levels of debt.

The pace with which the authorities are pressing ahead with their dual aim of: i) reconfiguring the model of production towards slower but better balanced economic growth, and ii) liberalising the financial system and opening up the capital account, will be crucial to how far problems with the Chinese economy are likely to affect to global economic and financial stability. As Chinese markets integrate with global capital markets any disturbances in China will tend to hit harder on world markets. That said, there are upsides to integration also such as a broader spreading of risks and an increase in global liquidity. China's reforms aimed at improving risk management and transparency of the financial system, creating an efficient system for orderly resolution of corporate bankruptcies and strengthening local finances would help limit the negative fallout from any sudden adjustment in the economy.

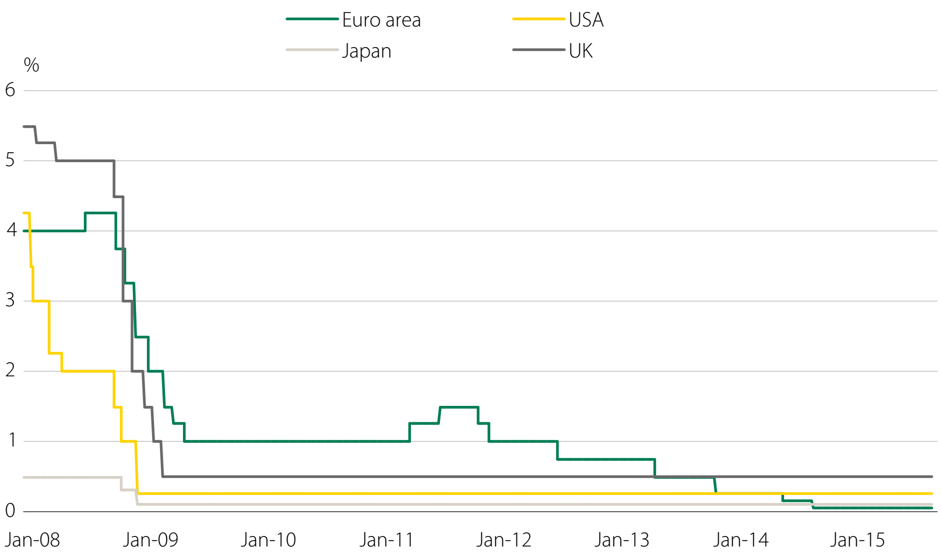
1 The potential risk from entrusted loans stems from the domino effect on other companies when one company defaults. These loans tend to be low risk as regards leverage and maturity transformation. That said, interest rates are unregulated and loans are granted without any proper credit risk controls either for the specific loan or across the company's wider loan book.
2 Necessary because most of the non-equity funds raised by the financial sector is channelled as loans to other resident sectors.
3 Another factor dragging down China's potential growth is its ageing population, the result of past birth control policies.

The ECB maintains its sovereign debt buying programme, while the Federal Reserve queries the timing of rate rises in light of turbulence and uncertainty spreading from China…

The tone of monetary policy in advanced economies has changed little in recent months as inflation has remained low. In the euro area, the ECB continued to buy sovereign debt under its quantitative easing (QE) programme, which totalled 292 billion euros at end-August (see exhibit 2) and in early September said it planned to press with QE while trimming its growth and inflation forecasts slightly. In the United States, where the last round of QE ended late last year, the economy was looking healthy from an inflation and jobs point of view making it likely the Federal Reserve would start raising policy rates in the last four months of 2015. However, the slowdown in emerging economies and, particularly, the impact of a likely slackening of Chinese growth injected an element of uncertainty into the timing of this decision, which may now be pushed back to late in the year. For the moment, the FOMC opted to hold rates at its 16 and 17 September meeting citing inflation which is running well below target. As indicated, recent performance of the Chinese and other emerging economies also seems to have weighed in the Federal Reserve's decision.

Official interest rates

FIGURE 2



Source: Thomson Datastream. Data to 15 September.

… where the authorities took measures to stave off economic slowdown.

The Chinese authorities have been the most active on this front in recent months (see exhibit 1). Fears of a sharp slowdown in its economy led the PBoC to cut rates on loans[2] and deposits, and banks' reserve requirements. The renminbi was also devalued three times, losing nearly 5% of its value, and greater flexibility was allowed in the way it was calculated bringing it more into line with the reality of the economy and the financial markets.

Extension of the ECB's purchase programme EXHIBIT 2

The economic and financial crisis of recent years forced central banks in most advanced economies to deploy highly expansionary monetary policy measures. In the immediate wake of the crash this meant slashing official interest rates to all-time lows. Then, as rates neared zero and traditional policy ran out of road they turned increasingly to so-called non-conventional measures. These included programmes to buy up assets on financial markets. The United States, for instance, embarked on a string of such programmes known as QE (quantitative easing). The last of these was wound up in late 2014 as employment and inflation improved. The Bank of England ran its own scheme between 2011 and 2012 and, although it has stopped buying new assets, it has continued to reinvest the proceeds of maturing bonds so that the stock of assets in these programmes is unchanged on its balance sheet. Japan, for its part, was the first economy to use QE to stave off deflation – in 2001-2005 – and reached for the same policy in 2010, cranking it up year after year since.

In the euro area, however, the absence of any solid recovery and divergence of inflationary expectations from the central bank's targets have kept purchase programmes in place. This exhibit summarises the main non-conventional policy measures the ECB has been using recently, with a special focus on the latest asset buying spree started in January this year, similar in nature to the US and British QE programmes.

In 2014, with official interest rates now as low as they could practically go,[1] the ECB's Governing Council launched its new targeted long-term refinancing operations (TLTRO) accompanied by two programmes to buy corporate debt: the asset backed security purchase programme (ABSPP) and covered bond purchase programme[2] (CBPP3). At end-2014, all corporate debt purchase programmes (one for securitised debt instruments plus three for covered bond programmes so far) had built up assets of 33.11 billion euros.

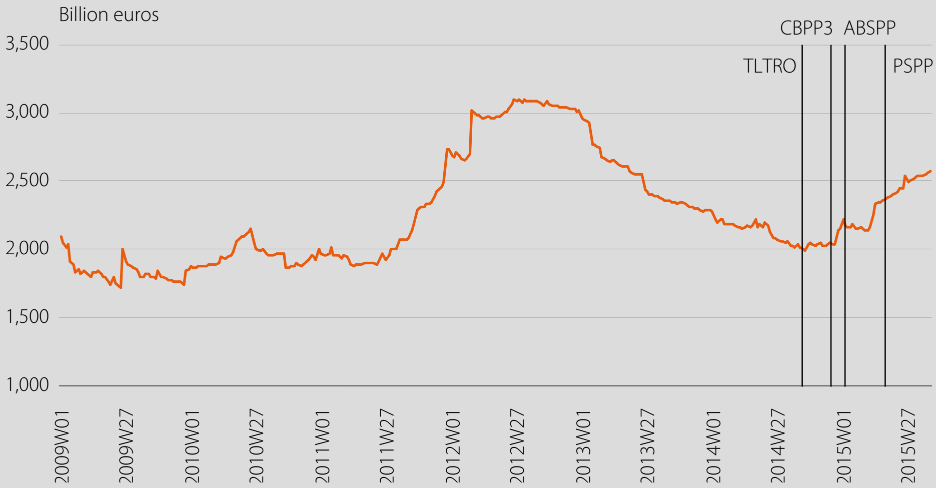
But all this buying failed to produce the desired result. Inflationary expectations continued to fall, a trend exacerbated by the drop in the price of crude and other commodities in late 2014. Against this background, the ECB's Governing Council met on 22 January 2015 and decided to take a further step, announcing an extension of its asset purchase programme (APP) to include buying sovereign as well as corporate debt. Specifically, it was decided that as from March bonds

2 The lending rate has been cut four times so far this year to 4.6% by end-August, an all-time low for the country.

issued by euro area central governments, agencies and European institutions would be eligible for the programme. The target for these purchases was set at 60 billion euros monthly and it was expected that these would continue until September 2016[3] ending when the Governing Council considered that the inflationary trend was in line with the ECB's monetary policy target of below, but close to, 2%.

There were new rules on risk sharing – how hypothetical losses are allocated among the participating institutions. Of the new assets purchased 20% would go into a risk-sharing scheme (12% held by national central banks and the other 8% held directly by the ECB), while the remaining 80% would be acquired individually by the central banks and so not subject to risk sharing. Purchases of sovereign debt were capped at 33% from a single issuer and 25% of any one issue.

Eurosystem balance sheet FIGURE E2.1



Source: ECB.

At 31 August 2015, 414.90 billion euros of assets had been bought under the APP, of which 70% under the PSPP, 27% under CBPP3 and just below 3% under the ABSPP (see table E2.1). Of the 292.33 billion euros of PSPP purchases, 33.52 billion was Spanish public debt with a weighted average maturity of 9.68 years compared to the European average of 8.03 years (see table E2.2). Six months on from its launch the Eurosystem's balance sheet has swollen considerably, from 2.16 trillion euros to 2.57 trillion at end-August (see figure E2.1). The latter figure represents around 26% of euro area GDP, near to the equivalent holding for the Federal Reserve (27%). Both of these are, however, a long way short of the Bank of Japan (BoJ) whose balance sheet has ballooned over recent years to near 70% of national GDP (see figure E2.2).

ECB asset purchase programmes (31 August)

TABLE E2.1

	ABSPP	CBPP3	PSPP	
Billion euros	Europe	Europe	Spain	Total
Start of programme	Nov-14	Oct-14		Mar-15
Volume bought on secondary market	8.1	91.5	33.5	292.3
Volume bought on primary market	3.0	20.0	–	–
Weighted average maturity (WAM)	–	–	9.68	8.03

Source: ECB.

Net monthly purchases under PSPP

TABLE E2.2

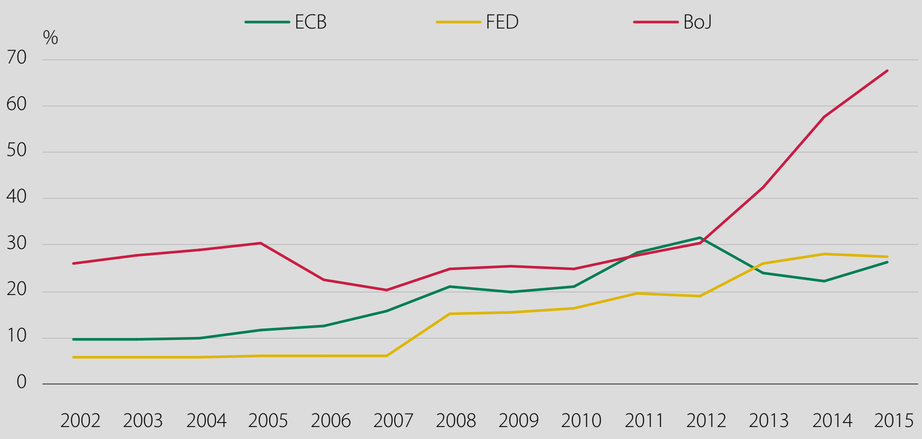
Million euros	March	April	May	June	July	August
Spain	5,447	5,471	5,909	5,915	5,891	4,882
Europe	47,383	47,701	51,622	51,442	51,359	42,826

Source: ECB.

To gauge the impact of this programme, we track below several relevant variables. Bear in mind that other factors may also be having an impact, especially, in recent months, events in Greece which massively stoked market volatility.

Balances compared to GDP

FIGURE E2.2



Source: Bloomberg and Thomson Datastream.

The first and most direct effect was during the first weeks of the programme, when the increase in liquidity prompted a widespread rise in the prices of sovereign debt. In the ten-year segment for instance, most sovereign yields were at historical lows at the end of the first or start of the second quarter: 0.08% in Germany, 0.36% in France, 0.56% in Ireland, 1.14% in Spain and Italy, and 1.37% in Portugal. Subsequently, as doubts emerged over Greece, debt markets tightened bringing upticks in both interest rates and volatility.

Meanwhile, inflationary expectations in the euro area have clearly reversed their trend since the PSPP was approved (one of the main aims of the programme). Five-year inflationary forecasts taken from the ECB's Survey of Professional Forecasters, which had dropped from 1.98% in the first quarter 2013 to 1.77% in the first quarter 2015, have, since January, reversed their downtrend. Lending conditions also seem to have eased in the early months of the year, as confirmed by data from the ECB's Quarterly Bank Lending Survey. The Survey shows that in recent months banks have been gradually relaxing the terms of loans to non-financial corporates and demand for such loans has also been on the rise. This suggests that, although the effect seems slight and the data are still preliminary, the ECB's non-conventional programmes seem to be starting to impact the real economy of euro area countries.

Finally, we must mention that in his latest comments, the ECB's chairman has made it amply clear that he intends to maintain this sovereign debt purchase programme until at least September 2016 and if necessary until the ECB considers that inflationary expectations have moved back into line with the Bank's monetary policy targets.

1 The official rate has been unchanged at 0.05% since September 2014.

2 CBPP3 is the third purchase programme for this asset class. The first two were launched in 2009 and 2011.

3 In fact, ECB Chairman Mario Draghi has repeatedly said he intends to expand the ECB's balance sheet to near 3 trillion euros as happened in early 2012.

Turbulence from China had no significant impact on sovereign debt yields…

In the international debt markets, yields on ten-year sovereign debt of the leading economies, which had narrowed in the first quarter only to rebound in the second, moved back down again in the third quarter. While uncertainty over the Greek debt negotiations drove yields and volatility in debt markets upward between April and the start of July there was no such effect from the later bout of jitters over China. Secondary debt markets were dominated in recent months by sovereign bonds' safe haven status and, in the case of Europe, the ECB's asset buying programme. By mid-September, therefore, yields on ten-year sovereign debt were back to near January levels in a climate of falling volatility and improving liquidity (see figure 3).

… or on sovereign risk premiums, which only edged up in early July, ahead of the deal between the European Union and Greece.

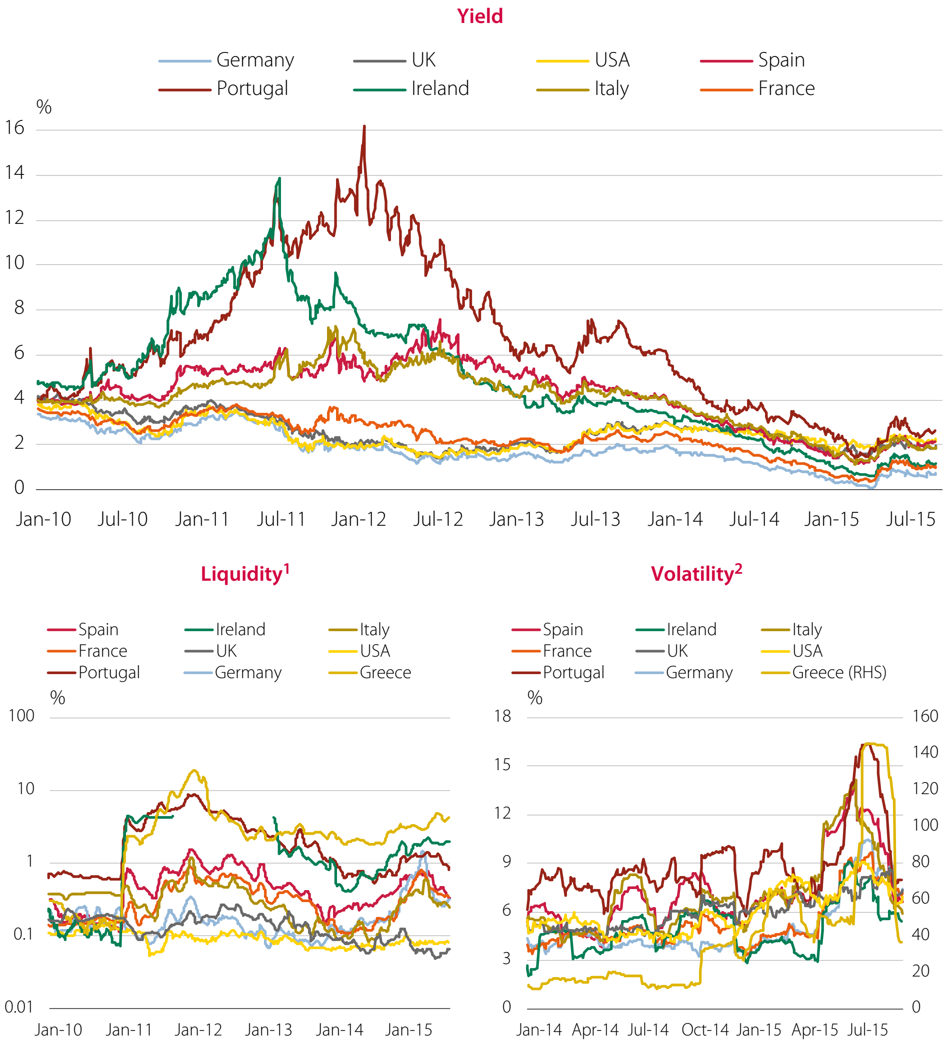
Risk premiums in Europe's periphery barely moved in the third quarter having upticked slightly in early July, just before the deal between the European Union and Greece. In mid-September these risk premiums as measured by CDSs on ten-year sovereign bonds were running at 51 bp for Ireland and 170 bp for Portugal, with Spain at 101 bp. In Greece, the weeks of crisis drove a surge in its CDS premium which topped out at more than 8,500 bp in early July. After the deal, the risk premium fell back sharply to less than 1,500 bp at the closing date of this report.

On corporate fixed-income markets, there was a slight increase in risk premiums on lower-rated debt.

On corporate fixed-income markets, there was a slight increase in risk premiums on lower quality debt from the spring on, perhaps reflecting a flight to safer instruments. In the United States, the premium on high yield debt rose from near 420 bp in April to highs of 540 bp at start-September. In the euro area the surge was less marked, from 450 bp to 530 bp (see figure 5).

Ten-year sovereign debt market indicators

FIGURE 3



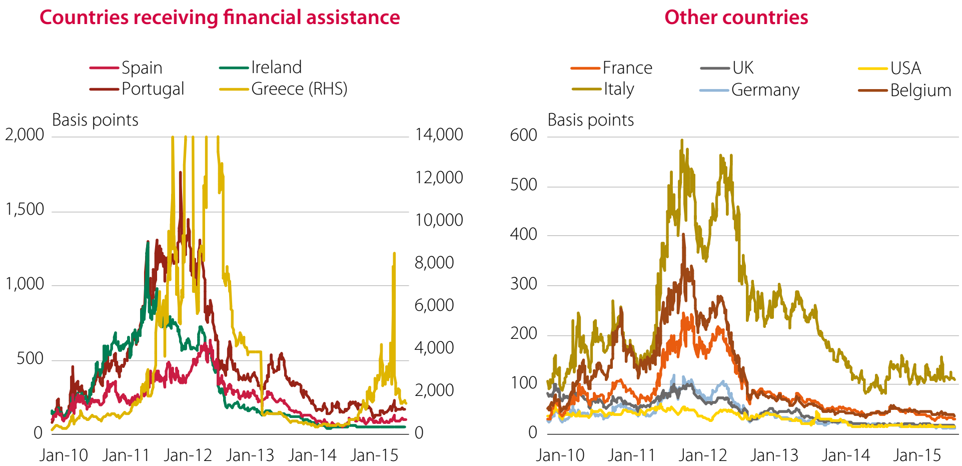
Source: Bloomberg, Thomson Datastream and CNMV. Data to 15 September.

1 One month average of daily bid-ask spread for yields on ten-year sovereign bonds (logarithmic scale).

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

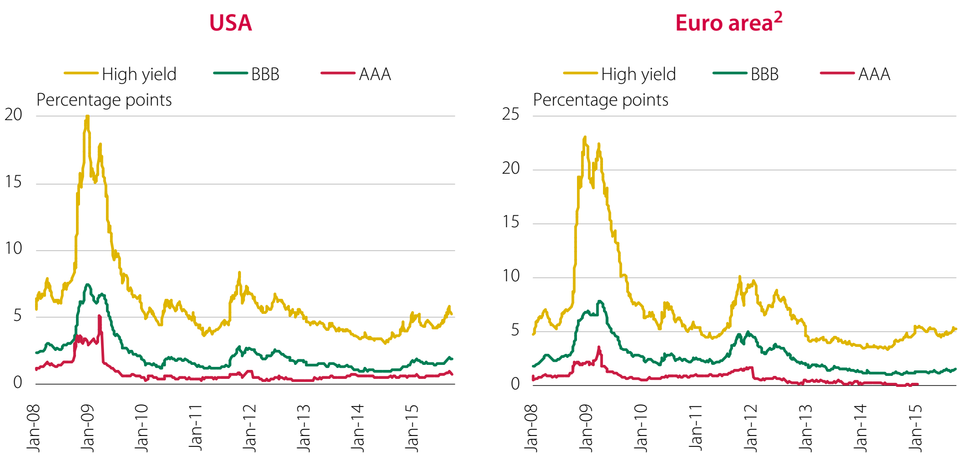
Credit risk premiums on public debt (five-year CDS)

FIGURE 4



Source: Thomson Datastream. Data to 15 September.

Corporate debt risk premiums. Spread to sovereign ten-year bond[1] FIGURE 5



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

1 Euro area versus the German benchmark.

2 Since 1 January 2015 there are no AAA rated bonds.

Net issuance of long-term debt in international markets was 1.34 trillion dollars year to date (in annualised terms), a near 60% decline on the 2014 volume. The fall originated with the decline in net issuance by the public sector, which turned negative in the second half of the year both in the United States and Europe, and lower issues by financial entities, particularly in Europe where the sector continued to deleverage (see figure 6).

Net issuance of debt fell off sharply in 2015 as public sector and financial entities issues declined.

In stark contrast, corporate debt issuance in the United States was plentiful, topping 560 billion dollars in the year, up 52% on 2014 and well above the figures seen during the crisis. The heavy volumes issued by these firms should be seen against a background of historically low primary market interest rates and the prospect that these could rise toward the end of the year, a prospect that may have led many issuers to rush to market.

In contrast, US corporate issuance was running at a post-crisis high, encouraged by the rock bottom cost of issuance. This trend may change in coming months.

Major international equity indices fell sharply in the third quarter, following bouts of turbulence triggered by economic uncertainty in China. Japanese indices lost more than 10%, US indices between 2.5% and 5.8% and European indices between 2.9% and 9.2%. For Europe, this meant two quarters of declining stock markets – the second quarter was blighted by Greece – in contrast to major gains in the first few months of the year as the ECB rolled out its asset purchase programme. On a year to date basis, a number of European indices are down, including the Ibex 35 and FTSE 100, though others show gains which in some cases, such as the Mib 30, are substantial.

Leading stock indices fell sharply in the third quarter on turbulence from China…

In the United States, the Dow Jones and S&P 500 are down on the year as heavy third-quarter losses more than wiped out the somewhat erratic gains of prior months. In contrast, the tech-heavy Nasdaq is slightly up on the year (2.6%). Japanese indices are also showing positive year to date returns thanks to a strong first-half performance (see table 1).

… wiping out or severely curtailing gains made earlier in the year.

Net international fixed-income issuance

FIGURE 6

Source: Dealogic. Half-year data. Data for the second half of 2015 are to 13 September but restated on a semi-annual basis to facilitate comparison.

There were also big spikes in volatility.

The slide in prices was punctuated by sporadic and substantial spikes in stock market volatility. In late August, most indices experienced volatility upticks of near 40% or more, such as the Japanese Nikkei 225. In Europe, August volatility mirrored that seen in June during the dark weeks of the Greek impasse.

Performance of main stock indices[1] (%)

TABLE 1

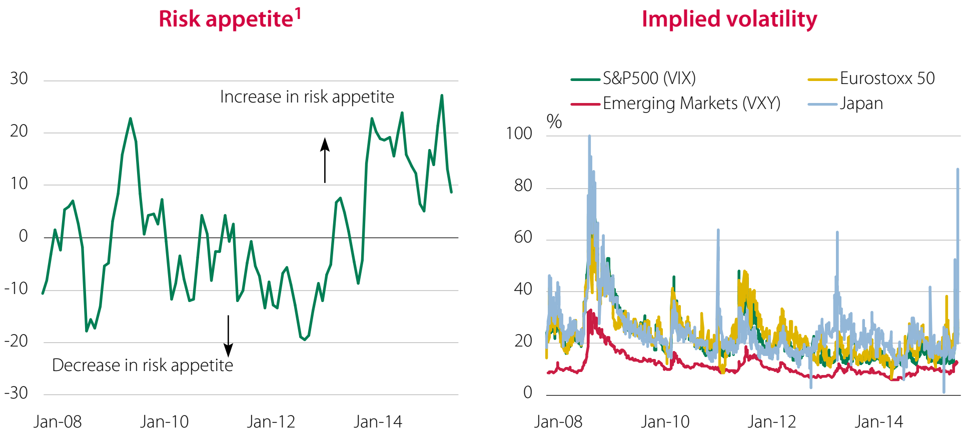
	2011	2012	2013	2014	3Q14	4Q14	1Q15	2Q15	III-15 (to 15 September) %/prior quarter	III-15 (to 15 September) %/ Dec-14
World										
MSCI World	-7.6	13.2	24.1	2.9	-2.6	0.7	1.8	-0.3	-5.9	-4.4
Euro area										
Eurostoxx 50	-17.1	13.8	17.9	1.2	-0.1	-2.5	17.5	-7.4	-6.3	1.9
Euronext 100	-14.2	14.8	19.0	3.6	0.4	-0.6	17.3	-4.5	-6.6	4.7
Dax 30	-14.7	29.1	25.5	2.7	-3.6	3.5	22.0	-8.5	-6.9	3.9
Cac 40	-17.0	15.2	18.0	-0.5	-0.1	-3.2	17.8	-4.8	-4.6	6.9
Mib 30	-24.0	10.2	18.8	-0.4	-3.2	-7.4	22.5	-2.7	-2.9	15.7
Ibex 35	-13.1	-4.7	21.4	3.7	-0.9	-5.0	12.1	-6.5	-9.2	-4.8
United Kingdom										
FTSE 100	-5.6	5.8	14.4	-2.7	-1.8	-0.9	3.2	-3.7	-5.9	-6.5
United States										
Dow Jones	5.5	7.3	26.5	7.5	1.3	4.6	-0.3	-0.9	-5.8	-6.9
S&P 500	0.0	13.4	29.6	11.4	0.6	4.4	0.4	-0.2	-4.1	-3.9
Nasdaq-Composite	-1.8	15.9	38.3	13.4	1.9	5.4	3.5	1.8	-2.5	2.6
Japan										
Nikkei 225	-17.3	22.9	56.7	7.1	6.7	7.9	10.1	5.4	-10.9	3.3
Topix	-18.9	18.0	51.5	8.1	5.0	6.1	9.6	5.7	-10.3	3.9

Source: Datastream.

1 In local currency.

Financial market indicators

FIGURE 7



Source: Thomson Datastream and CNMV.

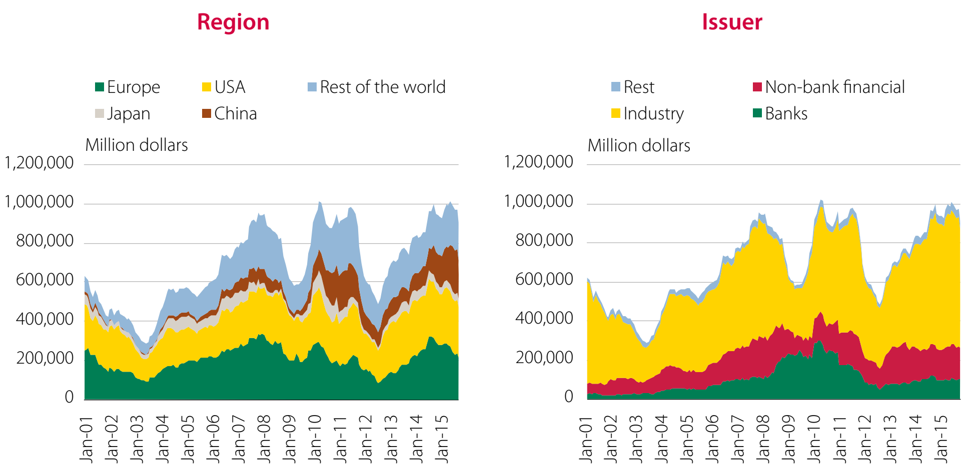
1 State Street indicator.

The dynamic trend in equity issuance of the first half-year (up 11.1%) went into reverse in the third quarter, affected by uncertainties over Greece and the turbulent August

Share issue volumes fell 3.2% to September, affected by uncertainty over Greece and China.

markets. In consequence, stock issuance volumes between January and September[3] totalled 701 billion dollars, 3.2% below the same period 2014 (see figure 8). By region, the falloff in equity issuance was greatest in Europe (-23%) and, to a lesser degree, Japan (-6.3%). US volumes were little changed from 2014 and Chinese issuance was the fastest growing of any region, up 25%, thanks to a surge of issues during the first few months of the year. By sector, equity issuance rose in the financial sector, both banking (7%) and non-banking (2%), but fell among industrials (-6.5%). Even so, industrial firms were still responsible for the lion's share of total issue volumes (66%).

International equity issuance FIGURE 8



Source: Dealogic. Cumulative twelve-month data to 13 September. For comparative purposes, the figure for this month is restated on a monthly basis.

2.2 National economic and financial developments

Spanish GDP grew 1% in 2Q (3.1% annualised), much faster than in the euro area (0.4%).

Spanish GDP grew 1% in the second quarter, one tenth of a point faster than in the first quarter. Annualised growth was 3.1% (2.7% in the first quarter). These figures are much higher than those elsewhere in the euro area (0.4% quarterly, 1.5% annual) and confirm the Spanish economy is picking up, growing at close to the rates seen before the global economic and financial crisis.

Domestic demand and net exports both improved their contributions to growth in the second quarter.

Domestic demand and net exports both improved their contributions to growth. Domestic demand contributed 3.1 percentage points in the first quarter rising to 3.3 in the second. The negative contribution from net exports fell from 0.4 to 0.2 percentage points between the two periods. Breaking down domestic demand by its components, annual growth in final household consumption held steady at 3.5% and gross fixed capital formation at 6.1%, confirming their driving role in economic recovery. Public sector final consumption rose from 0.2% to 1%. Net exports reflected the quickening pace of growth in both exports and imports in the second quarter: exports rose from 5% to 6% and imports from 7% to 7.2%.

3 Data to 13 September.

Supply side, all sectors improved gross value added (GVA) and did so at an accelerating pace. Industrials grew GVA by 3.5% compared to 2.9% in the first quarter with manufacturing industry reporting a particularly strong 3.8% rise. Signs of recovery in the construction sector were reflected in a 5.8% increase in value added (5.7% in the prior quarter). A better performance by most service-related sectors meant that services increased GVA by 3.0% (2.7% in the first quarter). Finally, value added was also up in primary industries where, after a 2.6% decline in the first three months of the year, GVA rose by 2.2% in the second quarter.

All sectors of the economy are growing value added at a quickening pace, confirming the broad-based recovery of the economy.

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

	2011	2012	2013	2014	EC[1] 2015F	EC[1] 2016F
GDP	-0.6	-2.1	-1.2	1.4	2.8	2.6
Private consumption	-2.0	-3.0	-2.3	2.4	3.5	2.8
Public consumption	-0.3	-3.7	-2.9	0.1	0.4	0.3
Gross fixed capital formation, of which:	-6.3	-8.1	-3.7	3.4	5.5	5.1
Construction	-10.6	-9.3	-9.2	-1.4	n.a.	n.a.
Equipment and others	0.9	-9.1	5.6	12.3	8.8	7.9
Exports	7.5	1.2	4.3	4.2	5.5	6.2
Imports	-0.7	-6.3	-0.4	7.7	7.2	7.1
Net exports (growth contribution, p.p.)	2.1	2.2	1.4	-0.8	-0.4	-0.1
Employment[2]	-2.6	-4.4	-3.2	1.2	2.7	2.5
Unemployment rate	21.4	24.8	26.1	24.4	22.4	20.5
Consumer price index	3.2	2.4	1.4	-0.2	-0.6	1.1
Current account balance (% GDP)	-3.2	-0.3	1.4	0.8	1.2	1.0
General government balance (% GDP)[3]	-9.4	-10.3	-6.8	-5.8	-4.5	-3.5
Public debt (% GDP)	69.2	84.4	92.1	97.7	100.4	101.4
Net international investment position (% GDP)[4]	-80.3	-65.9	-80.0	-83.6	n.a.	n.a.

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

1 European Commission forecasts of May 2015.

2 In full-time equivalent jobs.

3 Figures for 2011, 2012, 2013 and 2014 include government aid to credit institutions of 0.5%, 3.8%, 0.5% and 0.1% of GDP, respectively.

4 Ex. Banco de España.

n.a.: Not available.

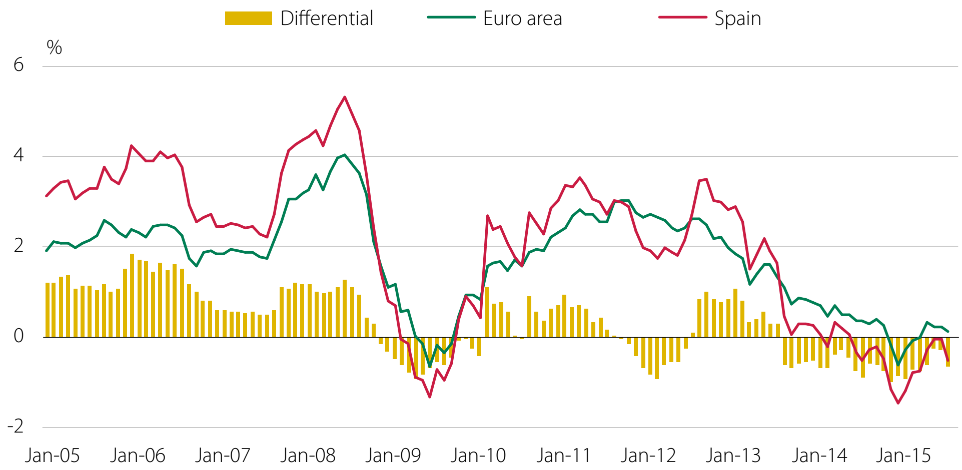
Spanish inflation, which during the year crept up from negative annual rates of -1.3% to a just positive 0.1% in June and July, fell back into deflation in August (-0.4%) following the latest dip in oil and electricity prices. The underlying rate, stripping out the more volatile components, has also been edging upward over the year, rising from 0.2% in January to 0.7% in August. Spanish inflation remained below the euro area average throughout the period but the gap was tending to narrow until July, when it touched -0.2 percentage points, before rebounding to -0.7 points in August.

Annual inflation, which had gradually crept above zero, turned negative again in August as energy prices fell.

Spanish economic recovery is driving employment with 477,000 more full-time equivalent jobs created in the last year.

Vigorous domestic activity is feeding through to a substantial rise in the numbers of people in employment and corresponding decline in the unemployment rate. A range of statistics[4] suggests job creation is running at around 3% annually. This means the Spanish economy has 477,000 more full-time equivalent jobs than last year. The unemployment rate, which peaked at 27% of active population in the first quarter 2012, has since fallen to 22.4% in mid-2015. Labour cost per unit of output (unit labour cost or ULC), which grew at annual rates of near to or above 4% in pre-crisis years went into reverse when the crisis hit as pay per employee slumped and there was an apparent rise in labour productivity. ULC figures for the last year show this decline slowing, as both these components have stabilised.

Harmonised index of consumer prices: Spain vs. euro area (annual % change) FIGURE 9



Source: Thomson Datastream. Data to August.

Economic recovery is helping fiscal consolidation.

Available budget execution figures to July suggest the public deficit was 2.44% of GDP, less than the 3.05% recorded for the same period 2014. Non-financial resources increased by 4% to 100.79 billion euros, while non-financial uses fell 1.2% to 127.56 billion. Deficit figures for all branches of government except local authorities, available to May, were running at 2.19% of GDP, slightly down on last year's 2.34%. The central government deficit was 2.02% of GDP (2.27% in 2014) and the autonomous regions' deficit was 0.48% of GDP, down from 0.59% in 2014. Public debt as a ratio of GDP was 97.7% at end-June, unchanged from end-2014. Under the 2016 Draft State Budget, the consolidation of the public sector accounts should continue over coming years helped by a growing economy. Specifically, it is envisaged that the deficit will end the year at 4.2% of GDP and fall to 2.8% in 2016, 1.4% in 2017 and 0.3% in 2018. Forecasts see public debt declining from 98.7% at the end of this year to 98.2% in 2016.

The banking sector is doing well, but low interest rates pose a serious challenge to banks' business model.

As for the banking sector, the pickup in Spain's economy and easier access to finance are having a positive effect on the business done by banks. Profitability is improving. Sector solvency is healthy. That noted, the low-interest rate environment and heavy backlog of unproductive assets pose a major challenge to banks' business models in the short to medium terms.

4 National Quarterly Accounts data has employment rising at 2.9% annually in the second quarter (2.8% in the first). The Active Population Survey has the numbers in employment up 3.0% to 17.86 million.

The aggregate income statement for the first quarter 2015 shows operating profit improving, rising to 4.62 billion euros, an increase on the same-period levels of the last few years. Most of the gains came from net interest income, up to 6.76 billion euros (6.41 billion in 2014), and lower write-offs of impaired financial assets (3.39 billion euros in 2015 compared to 3.60 billion in 2014). Operating expenses were virtually unchanged at 6.51 billion. Net profit for the sector in the first quarter was lower than in 2014, at 3.03 billion compared to 3.70 billion, due to higher impairment losses on other assets.

Banks' operating profits rose in 1Q 2015, but the bottom line was held back by heavier impairment losses on other assets.

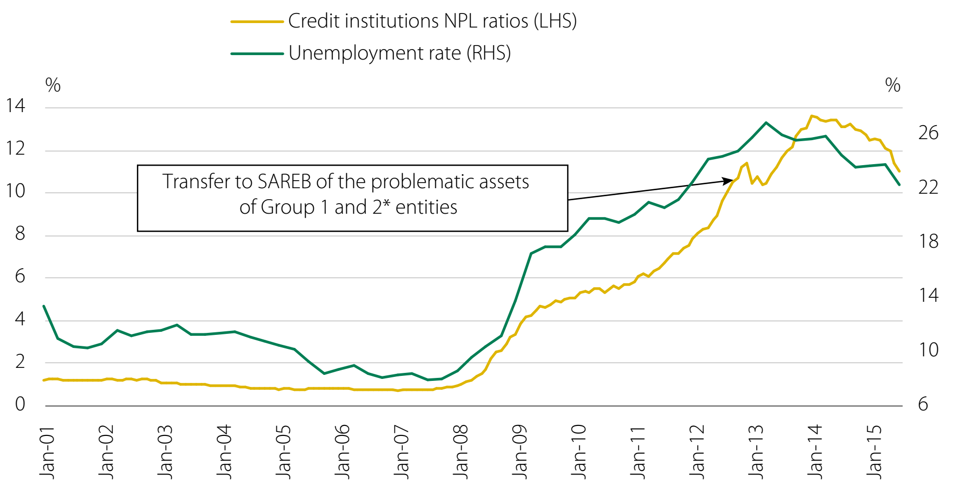
Bank lending to the non-financial residential sector (businesses and households) continued to fall in the first six months of the year as customers continued to deleverage. The fall was however less marked than in recent years. In July, such lending had shrunk by 2.8% year-on-year, less than the 4% drop seen to end-2014 or the 5.9% to end-2013. By sector, the stock of lending to non-financial corporates fell 2.7% in July (4.3% in December 2014) on a smaller decline in bank loans. Figures for new loans actually show a recovery in volumes compared to recent years in small loans (less than a million euros) and in other lending. Loans to households fell in July by 2.8% (3.7% last December) due to the still shrinking market for home purchase loans. In contrast, loans for other purposes, particularly consumer lending, were growing in July, something that had only been seen in one month[5] since May 2009 and that was early in the crisis.

Bank lending to businesses and households continued to fall, but much more slowly than in recent years. There are even signs of reviving demand in some segments…

Spain's economic recovery also impacted NPL ratios, which fell to 11% by mid-year (see figure 10). This continues the longstanding downtrend from a 13.6% peak in December 2013.

… while NPLs continue to fall, to 11% in June.

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



Source: Banco de España and National Statistics Office (INE). Data to June 2015.

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).

5 June 2010.

The banking sector's balance sheet is still shrinking.

The financing terms available to Spanish credit institutions have improved considerably this year, making it easier to issue debt at home and abroad. That said, the sector's aggregate balance sheet continues to shrink, to 2.83 trillion euros from 2.91 trillion in December. Deposits were fairly steady but borrowings declined slightly (redemptions outstripping new issues) as did equity. Reliance on Eurosystem borrowings fell in the early months of the year only to revive later to 138 billion euros, compared to 141 billion at the end of 2014.

Profits of non-financial listed companies rose by 54% in the first half-year to 13.75 billion euros.

Aggregate profits of non-financial listed companies were 13.75 billion euros at the end of the first half of the year, up 54% on the prior year period. Spain's lively economic performance made itself felt in most sectors, which reported substantial earnings growth. The exception was energy where companies were hard hit by falling oil prices. In absolute terms, the highlight was the jump in retail and services profits from 1.79 billion in the first half of 2014 to 6.29 billion in the same period 2015 (see table 3).

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

	EBITDA[2]		EBIT[3]		Profit for the period	
Million euros	**1H14**	**1H15**	**1H14**	**1H15**	**1H14**	**1H15**
Energy	10,429	11,532	6,195	6,639	5,355	4,855
Industry	2,089	2,450	1,368	1,713	729	973
Retail and services	13,477	12,078	7,228	4,998	1,791	6,285
Construction and real estate	2,973	3,917	1,853	2,764	1,019	1,598
Adjustments	-57	-44	-20	-9	27	37
TOTAL	**28,911**	**29,933**	**16,624**	**16,105**	**8,921**	**13,748**

Source: CNMV.

1 Earnings data is for companies filing before the closing date of this report.

2 Earnings before interest, taxes, depreciation and amortisation.

3 Earnings before interest and taxes.

Corporate borrowings rose but leverage still fell slightly.

Aggregate borrowings by non-financial listed companies were 261.61 billion euros, up 2.3% on the end of 2014. By sector, it can be seen that debt was rising for energy companies (by 10.3%) and in the retail and services sector (by 3%). Despite the rise in borrowing, leverage of non-financial listed companies dropped slightly between December 2014 and June 2015 from 1.3 to 1.2 (see table 4). Debt/EBITDA, measuring the years needed to repay existing debt assuming constant EBITDA, was stable at 4.4 and EBIT/interest expenses showed a slight decline.

Measures of households' financial position improved in 2015: debt was down and wealth and savings slightly up.

Indicators of the financial position of households show a further improvement over the year. The ratio of debt to gross disposable income (GDI) continued its slide as debt reduced and incomes rose. Latest data put the GDI below 110%. In contrast, household wealth rose slightly thanks to a rise in their financial assets (real estate values held stable) and a decline in liabilities. Household savings upticked slightly in the last year from 9.5% of disposable income in mid-2014 to 9.9% in the first months of 2015. But most of the rise in income went on consumption, a trend also identified by the Quarterly Accounts discussed above.

Gross debt by sector: listed companies TABLE 4

Million euros		2011	2012	2013	2014	1H15
Energy	Debt	95,853	91,233	82,146	70,488	77,757
	Debt/ Equity	0.92	0.85	0.75	0.73	0.76
	Debt/ EBITDA[1]	3.27	3.26	3.41	3.76	3.37
	EBIT[2] / Interest expenses	3.30	3.14	2.90	2.97	3.59
Industry	Debt	17,586	17,232	16,609	16,928	16,811
	Debt/ Equity	0.63	0.63	0.62	0.58	0.85
	Debt/ EBITDA	2.54	2.38	2.17	1.94	3.43
	EBIT/ Interest expenses	3.90	3.82	4.56	6.03	3.55
Retail and services	Debt	113,142	117,359	111,795	107,402	110,575
	Debt/ Equity	2.01	2.00	1.99	1.92	1.60
	Debt/ EBITDA	3.78	4.01	3.90	4.06	4.58
	EBIT/ Interest expenses	2.45	2.02	2.08	2.05	1.30
Construction and real estate	Debt	83,716	76,236	65,066	62,882	57,780
	Debt/ Equity	2.98	3.51	4.46	3.44	2.15
	Debt/ EBITDA	15.00	15.17	18.87	12.83	7.38
	EBIT/ Interest expenses	0.52	0.32	0.09	0.64	1.60
Adjustments[3]		-1,404	-1,429	-1,395	-1,381	-1,311
TOTAL	**Debt**	**308,893**	**300,633**	**274,221**	**256,319**	**261,611**
	Debt/ Equity	1.44	1.41	1.33	1.29	1.20
	Debt/ EBITDA	4.29	4.32	4.29	4.37	4.37
	EBIT/ Interest expenses	2.30	2.06	1.99	2.17	2.05

Source: CNMV.

1 Earnings before interest, taxes, depreciation and amortisation.

2 Earnings before interest and taxes.

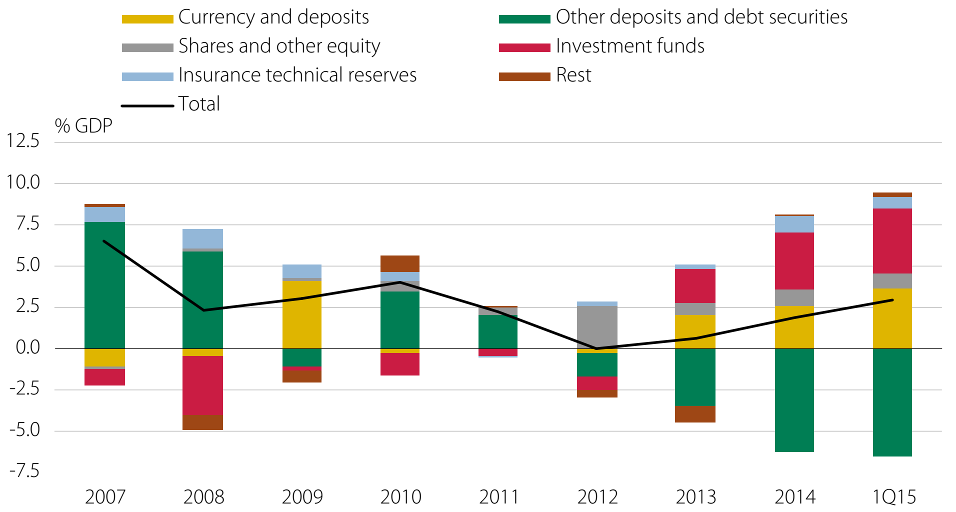
3 In drawing up this table, we eliminated the debt of issuers consolidating accounts with some other Spanish listed group. The figures in the adjustments row include eliminations corresponding to subsidiary companies with their parent in another sector.

When investing, households continue to shun low-yielding bank deposits in favour of investment funds, more attractive in the current climate.

Among household financial investments there was a rise in asset acquisition and a shift in the types of asset held. Four-quarter cumulative data to the first quarter 2015 shows net household investments totalling 2.9% of GDP, higher than at any time since 2010 (see figure 11). As for the change in portfolio composition, we see the consolidation of a trend established for several quarters away from bank deposits and fixed-income securities and toward investment funds. Cumulative one-year investment in funds was 4% of GDP. The trend reflects the current low-interest rate climate, which leads investors to seek higher yields in other financial products, and the active role played by banks in selling investment funds.

Households: Financial asset acquisitions

FIGURE 11



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

2.3 Outlook

The global economy will grow 3.3% this year and 3.8% in 2016 according to the IMF.

Latest IMF forecasts suggest global GDP will grow by 3.3% in 2015 (two tenths less than its April forecast) and 3.8% in 2016 (see table 5). The downgrade to the 2015 forecasts was motivated by worsening prospects for the US economy, where first quarter figures disappointed, and some emerging economies, hurt by falling commodity prices. The IMF now has GDP growth in advanced economies at 2.1% and 2.4% in 2015 and 2016, respectively, and emerging market growth at 4.2% and 4.7% in the same two years.

The big risks to global growth are economic slowdown in emerging economies and new bouts of market turbulence.

Expectations being mooted around this central scenario are generally on the downside although it is still possible growth figures may come in higher if the benefits of falling oil prices prove stronger than expected in advanced economies. The big downside risk is the threat to emerging economies and specifically the danger of an unexpectedly severe slowdown driven by falling commodity prices, weak local currencies and persistent local imbalances. August's stock market turbulence in the wake of uncertainty over China is a good instance of what an underperformance by these economies could do on a global scale. Another clear major risk is the possibility of prolonged bouts of market instability, raised not just by troubles in emerging economies but also by the prospect of a reversal in interest rates by several economies and the persistence of several geopolitical conflicts.

The Spanish economy is doing far better than expected and will grow more than 3% this year. But doubts remain.

The Spanish economy in recent quarters has outperformed all forecasts being considered at the start of the year. In fact, Spain has enjoyed the biggest upgrade to its IMF growth forecasts of any economy, by six tenths of a point to 3.1% in 2015 and five more in 2016, to 2.5%. Driving the spurt is stronger domestic demand, growing at a rate unseen since just before the crisis in 2007. The drop in the price of crude oil, improving financing conditions for the economy and the introduction of several structural reforms have all helped. That said, the growth outlook is not without risks. Structural weaknesses in the labour market and the need to continue fiscal consolidation could pose threats. There are other risks related to the likely change in the financial sector's business model to adapt to a low-interest rate environment and political risks. Also, as in other advanced economies, we cannot rule out periods of market turbulence or a sudden reversal of interest rates.

Gross Domestic Product (annual % change) TABLE 5

	2011	2012	2013	2014	IMF[1] 2015F	IMF[1] 2016F
World	4.1	3.4	3.4	3.4	3.3 (-0.2)	3.8 (=)
United States	1.6	2.3	2.2	2.4	2.5 (-0.6)	3.0 (-0.1)
Euro area	1.8	-0.7	-0.4	0.8	1.5 (=)	1.7 (+0.1)
Germany	3.7	0.6	0.2	1.6	1.6 (=)	1.7 (=)
France	2.1	0.4	0.7	0.2	1.2 (=)	1.5 (=)
Italy	0.7	-2.3	-1.7	-0.4	0.7 (+0.2)	1.2 (+0.1)
Spain	-0.6	-2.1	-1.2	1.4	3.1 (+0.6)	2.5 (+0.5)
United Kingdom	1.6	0.7	1.7	2.9	2.4 (-0.3)	2.2 (-0.1)
Japan	-0.4	1.8	1.6	-0.1	0.8 (-0.2)	1.2 (=)
Emerging economies	6.2	5.1	5.0	4.6	4.2 (-0.1)	4.7 (=)

Source: Thomson Datastream and IMF.

1 In brackets, change vs. the previous forecast. IMF, forecasts published July 2015 for April 2015.

3 Spanish markets

3.1 Equity markets

Spanish equity markets began the third quarter with gains following the new bail-out deal for Greece agreed by Europe's leaders. But the gains turned to losses with the eruption of turbulence in China at end August, intensified in the first half of September by slumps in major Spanish stocks with substantial exposure to Brazil.[6] The Chinese government response, with measures including the devaluation of the renminbi to stave off a worse slowdown, generated severe uncertainties in markets fearful of what slower growth in China and other emerging markets would mean for the rest of the world. The fall in Spanish stocks, which was slightly more severe than in other European markets, more than wiped out the rally in the first few months of 2015 and was accompanied by a sharp jump in volatility. Trading remained as vigorous as in previous quarters with a volume of 850 billion euros (up 30% year-on-year). The growing trend to trade Spanish shares on platforms other than their original market also persisted, accounting for over 20% of the total market during the period. On primary markets, there was a significant drop in the volume of new share issuance, which had risen sharply in the first half of the year thanks to some new IPOs (Initial Public Offerings) and a high volume of capital increases.

Spanish stocks suffered volatility and falls driven by uncertainties emanating from Greece and China and some Spanish companies' exposure to Brazil.

In this context, the Ibex 35 shed 9.2% over the quarter, its second quarterly decline in a row. It lost 6.5% in the second quarter having advanced 12.1% in the first. On the closing date of this report (15 September) the index was 4.8% down on its year-start level. The Madrid General Index (IGBM) and small cap index both traced a similar pattern in the third quarter, falling 9.4% and 12%, respectively, while mid-

The Ibex 35 lost 9.2% with a year-to-date loss of 4.8. Small and mid-cap indices were down on the quarter but up 4.6% and 9% on the year. The deepest losses were in the Latibex, hit by currency devaluations in Latin America.

6 Brazil went into technical recession when it recorded two consecutive quarters of falling GDP, declines of 0.7% in the first quarter and 1.9% in the second. Standard & Poor's then downgraded its country rating on 9 September from BBB to BB+ meaning it was no longer investment grade.

caps held up better, dropping just 4.2%. Year to date, the Ibex 35 and IGBM are both down around 5% while small and mid-cap indices remain in positive territory, up 4.6% and 9%, respectively. Indices of Latin American stocks were down sharply in euros as local currency losses were exacerbated by depreciation in currencies like the Brazilian real, down 30% against the euro so far this year. The FTSE Latibex All-Share and FTSE Latibex Top lost 28.5% and 24.1%, respectively, over the quarter. Coming on top of weak performances in the two previous quarters this left them down 29.1% and 27.7% in the year to date.

Performance of Spanish stock market and sectors (%)

TABLE 6

							3Q15 (to 15 September)	
Index	**2011**	**2012**	**2013**	**2014**	**1Q15[1]**	**2Q15[1]**	**%/prior quarter**	**%/Dec 2014**
Ibex 35	-13.1	-4.7	21.4	3.7	12.1	-6.5	-9.2	-4.8
Madrid	-14.6	-3.8	22.7	3.0	12.1	-6.5	-9.4	-5.0
Ibex Medium Cap	-20.7	13.8	52.0	-1.8	20.9	-5.9	-4.2	9.0
Ibex Small Cap	-25.1	-24.4	44.3	-11.6	31.6	-9.7	-12.0	4.6
FTSE Latibex All-Share	-23.3	-10.7	-20.0	-16.1	-5.0	4.5	-28.5	-29.1
FTSE Latibex Top	-17.1	-2.6	-12.4	-11.1	-3.4	-1.4	-24.1	-27.7
Sector[2]								
Financial and real estate services	**-18.9**	**-4.7**	**19.9**	**1.4**	**8.0**	**-8.5**	**-15.4**	**-16.5**
Banks	-20.3	-4.8	18.8	1.6	7.1	-8.6	-15.9	-17.7
Insurance	12.5	-2.0	47.3	-9.2	19.7	-7.0	-15.1	-5.5
Real estate and others	-47.5	-14.4	38.3	36.3	21.0	-1.6	-5.3	12.7
Oil and energy	**-2.7**	**-16.0**	**19.0**	**11.8**	**6.6**	**-3.4**	**-7.5**	**-4.7**
Oil	14.9	-35.4	19.5	-15.1	11.5	-9.1	-28.6	-27.7
Electricity and gas	-10.8	-5.4	18.7	21.7	5.4	-1.9	-2.2	1.1
Basic materials, industry and construction	**-14.3**	**-8.0**	**28.9**	**-1.8**	**21.9**	**-6.0**	**-8.5**	**4.8**
Construction	-6.9	-9.3	26.5	8.9	17.2	-8.2	0.5	8.1
Manufacture and assembly of capital goods	-12.2	-8.8	55.4	-18.3	35.2	2.3	-8.5	26.6
Minerals, metals and metal processing	-33.7	-8.7	11.5	4.5	13.4	-12.2	-22.2	-22.5
Engineering and others	-29.0	3.8	7.6	-17.0	32.2	-2.0	-33.8	-14.2
Technology and telecommunications	**-20.9**	**-18.3**	**22.8**	**2.5**	**13.7**	**-5.0**	**-7.1**	**0.4**
Telecommunications and others	-20.8	-23.0	17.1	2.6	12.0	-3.6	-8.9	-1.7
Electronics and software	-21.3	39.4	56.8	2.3	21.9	-10.8	0.0	8.7
Consumer goods	**5.7**	**55.6**	**17.1**	**-1.5**	**25.4**	**-3.7**	**-1.0**	**19.5**
Textiles, clothing and footwear	12.7	66.2	13.5	-1.1	26.0	-2.4	-1.9	20.6
Food and drink	-6.3	25.0	4.7	-5.2	27.7	-3.2	-2.0	21.1
Pharmaceutical products and biotechnology	-7.3	68.3	39.6	-1.0	22.0	-8.1	2.9	15.3
Consumer services	**-24.2**	**12.7**	**58.9**	**10.0**	**20.6**	**-9.9**	**0.7**	**9.4**
Motorways and car parks	-3.7	5.7	36.5	6.8	2.5	-8.3	0.6	-5.4
Transport and distribution	-34.9	29.7	116.4	27.9	33.1	-16.2	11.9	24.9

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.

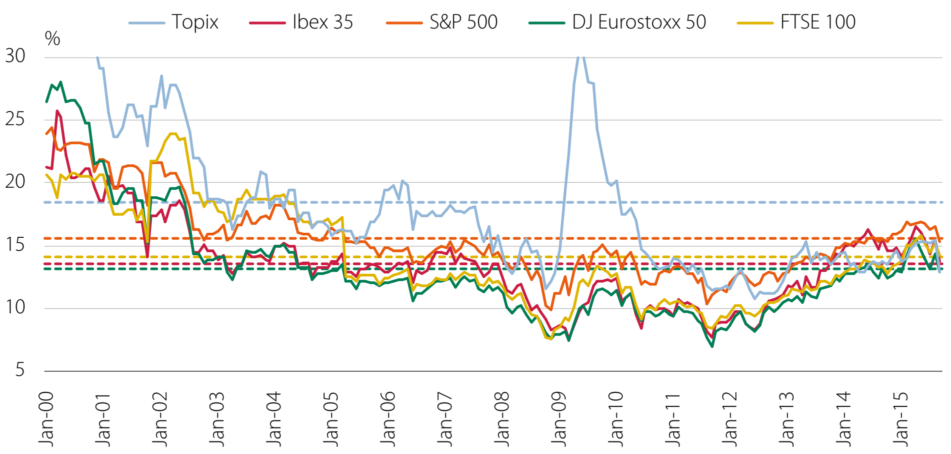
Performances varied from sector to sector in the third quarter. The biggest losses were in the financial sector, which is heavily exposed to the most troubled emerging economies (Brazil and Turkey), fears of a global economic slowdown and tighter capital requirements imposed by regulators. Oil and commodity related sectors also suffered major falls, reflecting a slump in the oil price of 32% in the quarter and 20% over the year. Best-performing sectors were consumer goods and services, construction and real estate, helped by healthy domestic consumption and some revival of the property sector. All these sectors were either broadly stable or slightly down in the third quarter but remain significantly up year to date (see table 6).

Sector performances were mixed. Financials and oil stocks have lost ground but consumer goods and services sectors, as well as construction and real estate firms are significantly up on the year.

The slide in Spanish shares at a time of rising corporate profits drove the Ibex 35's price-earnings ratio (P/E) down from 15.5 to 13.7 times, continuing the downward trend of the second quarter after an increase in the first three months of the year. Figure 12 shows that the P/E ratios of all major stock indices except the Japanese Topix fell at the end of the period to around their 2000-2015 average or even below in cases like the S&P 500 and DJ Euro Stoxx 50.

Market P/E ratio fell in 3Q taking it close to its historical average.

Price-earnings ratio[1] (P/E) FIGURE 12



Source: Thomson Datastream. Data to 15 September.

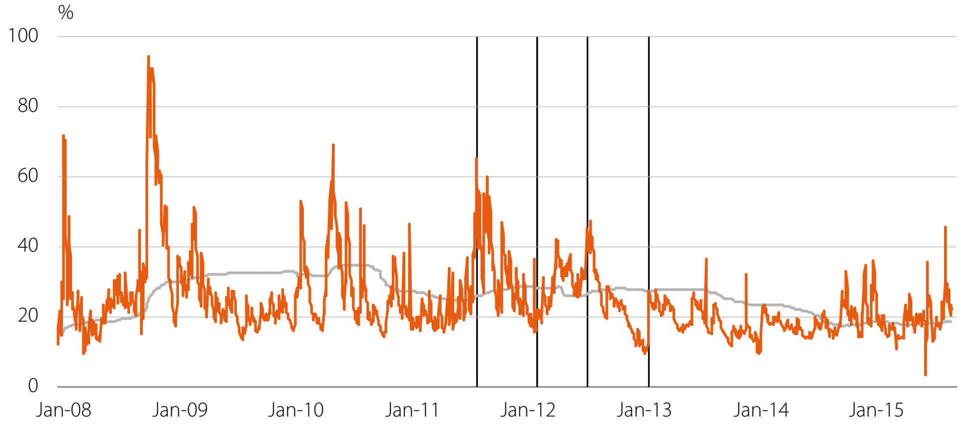
1 Twelve-month forward earnings.

Volatility of the Ibex 35 showed sporadic spikes in the first week of July amid uncertainty about the third Greek bailout but actually peaked at more than 45% in late August coinciding with turbulence in China. At the end of the quarter, volatility fell back below 25%, though this remains above the 19% average seen in the first half of the year. Spanish market volatility was similar to that of other European and even American indices such as the VIX, which topped 40%, its highest since August 2011.

Uncertainty about first Greece and later China boosted volatility briefly above 45% in late August. It subsequently fell back to below 25% but remained higher than the first-half average.

Historical volatility of the Ibex 35

FIGURE 13



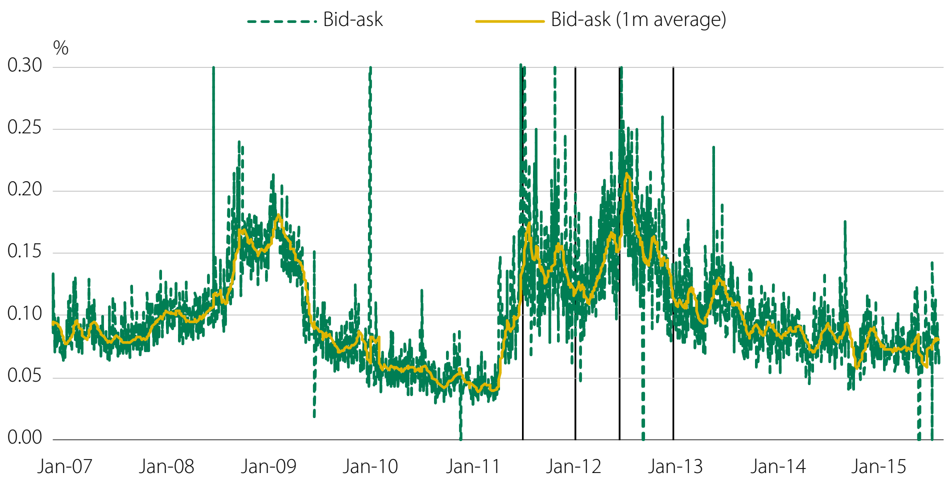
Source: Thomson Datastream and CNMV. Data to 15 September. The red line indicates conditional volatility and the grey line unconditional volatility. The vertical lines refer to the introduction and lifting of the short-selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting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

Ibex 35 liquidity remained satisfactory.

Liquidity of the Ibex 35 held broadly steady with only light upticks in bid-ask spreads at the times of highest market volatility prompted by the Greek crisis and events in China (see figure 14). The bid-ask spread on the index narrowed from 0.123% at the end of the second quarter to 0.067% in mid-September, slightly below its historical average of 0.08%.

Ibex 35 liquidity. Bid-ask spread

FIGURE 14



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

Trading volumes in Spanish stocks fell away in 3Q for seasonal reasons, but were sharply up year-on-year.

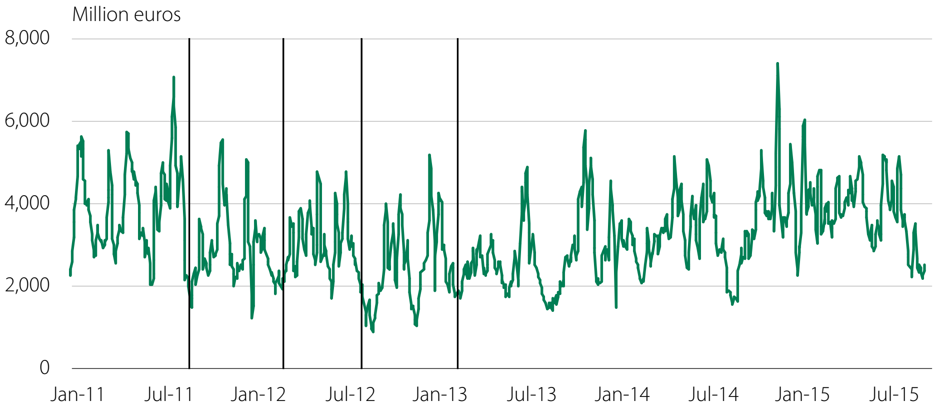
Trading volumes on Spanish stock markets reflected the quiet summer season falling 24% in the third quarter compared to the second. That said, in year-on-year terms trading was up 26%. Cumulative figures for the year to date were above

850 billion euros, a 30% increase on the same period 2014.[7] The increase in trading, a pattern repeated in other leading European indices, was encouraged by the persistence of low returns paid on bonds. Daily trading on the continuous market averaged 3.32 billion euros over the quarter, less than the 4.04 billion and 4.09 billion seen in the first and second quarter, respectively, but close to the 3.39 billion euro average for the full-year 2014 (see figure 15).

Trading of Spanish shares on other regulated markets and MTFs tended to stabilise.

We have already mentioned the trend toward trading Spanish shares on other European regulated markets and multilateral trading facilities (MTFs). So far this year, over 170 billion euros of instruments has been traded on such external markets, a 63% increase on the same period 2014. Trading of Spanish stocks was particularly popular on the Chi-X exchange which handled a volume of 109 billion euros, nearly two thirds of external trading. Transactions in Spanish equities on these markets tended to stabilise at around 20% of total trading of these shares (19.7% and 19.3% in the first and second quarters, respectively, and 15.2% in 2014).

Daily trading on the Spanish stock market[1] FIGURE 15



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

1 Moving average of five trading days.

Equity issuance was sharply down in comparison with the two previous quarters due to fewer flotations and smaller capital increases. But issue volumes to September are still higher than in the whole of 2014.

Equity issuance on domestic markets fell to 4.37 billion euros in the third quarter, just under a third of the amounts raised in the first and second quarters. This drop in issue volume, which was also 24% below the same period 2014, was partly due to the absence of new share offerings (just one in the quarter, a single company in the telecoms sector) and partly to a reduction in capital increases, down to 3.61 billion euros, barely a third of the volumes seen in each of the last three quarters. Despite this, cumulative issue volumes over the year were 33.63 billion euros, more than the 32.76 billion issued in the whole of 2014. Breaking down issuance by type, the third quarter, despite including July's dividend season, saw the weighting of scrip dividend issuance fall to 30% of total issuance compared to 33% in the second and 38% in 2014. Amounts raised by scrip issues were 1.61 billion euros less than in the prior year period. In contrast, there was a greater weighting of capital increases by financial companies converting debt and rights issues.

7 Not including trading in the MAB, Latibex and ETFs.

Trading in Spanish shares listed on Spanish exchanges[1]

TABLE 7

Million euros	2011	2012	2013	2014	1Q15	2Q15	3Q15[2]
Total	**926,873.7**	**709,902.0**	**764,986.6**	**1,002,189.0**	**312,452.9**	**305,907.5**	**231,304.1**
Listed on SIBE (electronic market)	**926,828.6**	**709,851.7**	**764,933.4**	**1,002,095.9**	**312,435.9**	**305,694.5**	**231,299.0**
BME	912,176.9	687,456.1	687,527.6	849,934.6	251,024.0	246,745.1	181,541.2
Chi-X	11,120.3	16,601.3	53,396.7	95,973.0	38,605.7	39,062.4	31,873.8
Turquoise	707.7	3,519.6	11,707.9	28,497.5	11,769.7	8,668.8	6,288.4
BATS	1,276.4	2,261.9	10,632.1	18,671.0	8,890.4	8,244.8	6,498.5
Others[2]	1,547.3	12.8	1,669.2	9,019.8	2,146.2	2,973.3	5,097.2
Open outcry	**42.8**	**49.9**	**51.4**	**92.4**	**16.5**	**203.3**	**1.8**
Madrid	16.1	3.0	7.3	32.7	6.5	1.1	0.3
Bilbao	0.1	8.5	0.1	14.3	2.8	0.0	0.0
Barcelona	26.4	37.7	44.1	45.2	7.2	202.2	1.4
Valencia	0.3	0.7	0.0	0.3	0.0	0.0	0.0
Second market	**2.3**	**0.4**	**1.7**	**0.7**	**0.5**	**9.7**	**3.4**
Pro memoria							
BME trading of foreign shares[3]	5,206.0	4,102.0	5,640.0	14,508.9	3,730.2	6,520.4	1,042.5
MAB	4,379.9	4,329.6	5,896.3	7,723.2	1,944.0	1,621.4	985.9
Latibex	357.7	313.2	367.3	373.1	85.4	67.6	50.5
ETFs	3,495.4	2,736.0	4,283.9	9,849.4	3,159.8	3,263.8	3,100.1
Total BME trading	925,661.3	698,987.5	703,768.7	882,482.3	259,960.4	258,431.5	186,725.3
% Spanish shares on BME vs. total Spanish shares	98.4	96.8	89.9	84.8	80.3	80.7	78.5

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 September.

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

Capital increases and public offerings

TABLE 8

	2012	2013	2014	4Q14	1Q15	2Q15	3Q15
NUMBER OF ISSUERS[1]							
Total	**30**	**39**	**55**	**22**	**23**	**20**	**23**
Capital increases	30	39	53	21	21	18	22
Of which, through public offer for subscription	3	5	6	0	0	0	0
Public offering of shares	3	0	4	1	2	3	1
NUMBER OF ISSUES[1]							
Total	**95**	**145**	**147**	**33**	**31**	**27**	**26**
Capital increases	92	145	140	31	29	23	25
Of which, through public offer for subscription	3	5	8	0	0	0	0
Public offering of shares	3	0	7	2	2	4	1
CASH AMOUNTS[1] (million euros)							
Total	**29,521.6**	**39,126.2**	**32,762.4**	**13,009.8**	**15,311.4**	**13,950.8**	**4,371.3**
Capital increases	28,290.2	39,126.2	27,875.5	9,876.9	11,001.8	11,363.1	3,607.4
Of which, through public offer for subscription	2,450.5	1,742.8	2,951.5	0.0	0.0	0.0	0.0
Paid-in capital increases	8,424.2	9,932.8	12,650.8	4,335.0	2,829.6	4,671.1	1,318.2
Of which, scrip dividend[2]	8,357.9	9,869.4	12,573.8	4,335.0	2,829.6	4,671.1	1,318.2
Capital increases by debt conversion[3]	10,982.4	7,478.8	3,757.9	35.1	412.1	433.7	516.7
Capital increases against non-monetary consideration[4]	1,867.5	231.6	2,814.5	2,497.3	242.4	234.7	0.2
With preferential subscription rights	4,560.6	11,463.1	2,790.8	1,002.1	6.2	5,683.2	1,326.3
Without rights trading	5.0	8,277.1	2,909.9	2,007.4	7,511.5	340.4	445.9
Public offering of shares	1,231.4	0.0	4,886.9	3,132.9	4,309.5	2,587.7	763.9
***Pro memoria*: MAB transactions[5]**							
Number of issuers	9	7	10	1	5	1	3
Number of issues	11	14	15	4	5	1	3
Cash amounts (million euros)	35.8	45.7	130.1	23.5	10.4	1.9	28.6
Capital increases	35.8	45.7	130.1	23.5	10.4	1.9	28.6
Of which, through public offer for subscription	6.8	1.8	5.0	0.0	0.0	0.0	3.5
Public offering of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: BME and CNMV. Data to 15 September.

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

2 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.

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

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

5 Transactions not filed with the CNMV.

Amendment of the Securities Market Law 24/1988, of 28 July, on clearing, settlement and registry of securities, by Law 11/2015, of 18 June, on recovery and resolution of credit institutions and investment services firms

EXHIBIT 3

On 18 June 2015 Law 11/2015 on recovery and resolution of credit institutions and investment services firms was passed (Law 11/2015). Its first final provision makes a number of amendments to the Securities Market Law 24/1988, of 28 July (Spanish acronym: LMV). In general terms, these amendments address two areas. The first strand continues the process of reforming the Spanish system for clearing, settlement and registry of securities, a process whose key principles were already introduced into regulation by Law 32/2011, of 4 October, amending the Securities Market Law, of 28 July (Law 32/2011). The second strand amends regulations to comply with Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July, on improving securities settlement in the European Union and on central securities depositories.

As promulgated in the preamble to Law 32/2011, the reform of the system for clearing, settlement and registry of securities traded on markets involves three core principles: i) replacement of the current securities registry system based on entries in a register by a system based solely on balances of securities, which will enable the switch from gross multilateral settlement toward a net bilateral system; ii) the use of central counterparties in clearing trades in securities traded on official secondary markets and multilateral trading facilities; and iii) the elimination of the principle of assured delivery of securities traded on such markets or facilities, as investors will now in practice be protected by a central counterparty.

As explained in 2011, the reforms are necessary to, first, make Spanish securities markets more competitive by giving them a robust, agile and flexible post-trade system harmonised with international practice and, second, to deliver the stated target of T+2 settlement of securities traded on the various exchanges (rather than the current T+3) and ready Spain to join pan-European systems such as Target2-Securities, a technical platform for cross-border settlement of securities traded anywhere in the European Union. If these aims are to be met, we have to switch to a net balances settlement system with a central counterparty. Accordingly, we are gradually harmonising our clearing, settlement and registry system with common practice in our neighbouring markets. This will help cut operating costs and improve the competitive position of our markets, companies and infrastructure.

Specific changes include a number of changes to the book-entry system, such as allowing securities to switch from book-entry to physical representation, and setting out new specifications for the issue document (articles 5 and 6 of the LMV).

The changes will also streamline the structure and functioning of the Spanish securities registry system. The system will henceforth consist of two tiers – the "two-tier system". The first tier is a central register managed by the central securities depositary (CSD). The second tier comprises the so-called detailed register, kept jointly by the CSD's participants. Law 11/2015 sets out different types of account that CSD members can have in accordance with Regulation (EU) No. 909/2014, while leaving more technical details of the securities registry system (article 7 *bis* of the LMV) to be filled in by subsequent regulations.

The same Law clarifies how the existing prorrata rules defined in Law 32/2011 will work under the new two-tier system. These rules determine how to sort out problems arising if the securities recorded in the detailed register do not match those in the central register due to the insolvency of a participant in a securities clearing system. To preserve the integrity of the issue, in any mismatch between the two registry tiers the central register will prevail and the balance shown in the central register's general client accounts will be allocated pro-rata the securities rights shown in the detailed register. That said, this rule should be seen as a backstop to be used only in very exceptional circumstances. The register will have systems in place to ensure the two tiers will normally match (article 12 *bis* of the Securities Market Law).

As regards securities clearing, Law 11/2015 eliminates the legal specification of which securities require the participation of a central counterparty when traded on multilateral trading facilities of official markets, leaving the definition of such securities to subsequent regulations (new draft of article 31 *bis*.7 and subsection 3 of article 125 of the LMV).

As regards economic rights, securities issuers will have a legal transparency obligation to disclose immediately, both to the markets where they are listed and to the central securities depositary keeping the register, all information on the economic rights attaching to the securities, including the dates of recognition, exercise, completion and payment under applicable rules for trading, clearing and settlement of securities (article 36 *ter* of the LMV).

To ensure the orderly settlement of trades and minimise systemic risk, market members, members of central counterparties and participants in central securities depositaries are protected by two sets of measures. First, any of these entities that advance securities or cash to settle trades contracted by their clients in markets or multilateral trading facilities are accorded a legal security interest, as defined in Royal Decree-Law 5/2005, of 11 March, over the proceeds of the trade if their client should default or go bankrupt. This security interest only applies to the securities or cash resulting from the trades which are not expected to be recovered. Second, a buy-in option is provided for, whereby members of the abovementioned systems can issue buy or sell orders for securities opposite to those placed by their clients when a client goes bankrupt while these trades are still being cleared. To minimise systemic risk, these guarantees must be subsidiary to any guarantees offered by market infrastructures which will take precedence (article 36 *quater* of the LMV).

As stated, securities settlement and the legal regime governing central securities depositories are brought into line with Regulation (EU) No. 909/2014. Specifically, the Law explicitly charges the CNMV with responsibility for authorisation and supervision of CSDs (article 44 *bis* of the LMV).

It sets out the supervisory regime for the new clearing, settlement and registry system. The biggest change is the creation of a dedicated reporting system to improve the functioning of the securities register and make it easier to supervise the process of clearing, settlement and registry. This reporting system (called the post-trading interface) will be managed by the central securities depositary based on information provided by all participants in post-trade processes (markets, central counterparties, CSDs and their members and participants). The ultimate aim is to allow traceability of trades, the transmission of information needed for post-trade processing, control of risks and guarantees, proper functioning of the two registry tiers and correct settlement of trades. It will be a key tool for the CNMV's supervision of the proper functioning of all post-trade phases (article 44 *septies* of the LMV).

Similarly, market infrastructures will have an obligation to monitor the correct functioning of the trading, clearing, settlement and registry processes, a function that regulations impose on the Government (article 44 *octies* of the LMV).

Supervisory, inspection and penalty systems are also amended to enforce the changes brought in by the LMV and the obligations flowing from Regulation (EU) No. 909/2014.

Finally, we would underline the importance of the seventh transitional provision and its entry into force. The changes brought in by this Law will be phased in as the regulations detailing the configuration of the system for clearing, settlement and registry of Spanish securities are approved and the various provisions of Regulation (EU) No. 909/2014 come into effect. This phased-in application means that many of the changes made by this Law on the clearing, settlement and registry system will apply, in a first phase, to equities alone and only later to fixed-income securities traded on markets and multilateral trading facilities.

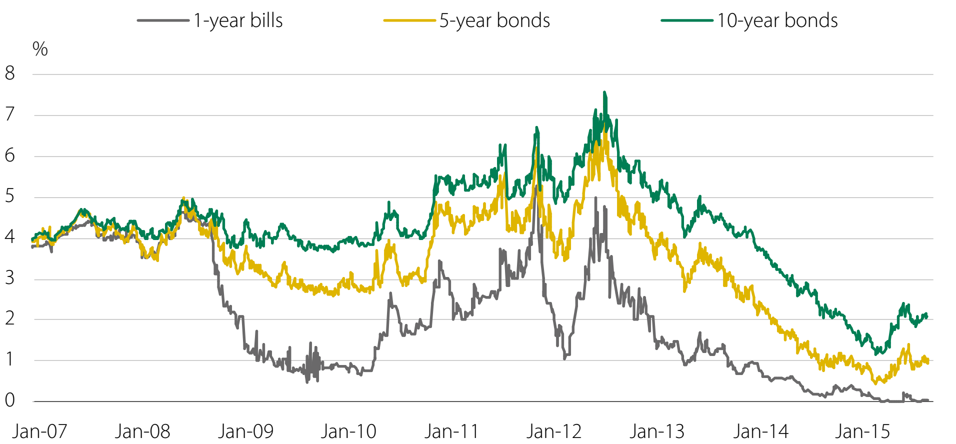
As for timing, the CNMV and Banco de España announced in a joint press release last May (available at www.cnmv.es "Other communications") that the first phase of the reforms, including significant changes to all equity clearing and settlement processes, would take effect in October 2015 and the second phase in February 2017 at the same time Iberclear is connected to Target2-Securities. However, in a new release issued on 28 September (available at www.cnmv.es "Other communications") it was recognised that, given the complexity of the process, the first phase would not launch until February 2016. The start date for the second phase is unchanged.

3.2 Fixed-income markets

Spanish fixed-income markets saw sporadic jumps in yields within a general downtrend driven by the ECB's asset purchase programme.

Spanish fixed-income markets, in common with other European markets, suffered considerable instability in the early days of the quarter as uncertainty over Greece prompted sporadic upticks in yields, which gradually faded out once the third bailout deal was struck. Once this uncertainty was over, yields on public and private debt began to fall again across all terms of the curve and, despite modest increases related to China, ended the quarter with smooth falls in most maturities. The market continues to enjoy the benefits of the ECB's asset purchase programme, which the ECB has pledged to extend and expand if necessary. That said, the programme seems to be having a diminishing impact over time. Credit risk premiums also fell as the Greek situation returned to normal and subsequent rises were far less severe. Over the year to date, sovereign risk premium is up slightly as are premiums on financial sector issuers, exposed to stuttering emerging economies. The surge in volatility took its toll on the volume of issues filed with the CNMV in the third quarter, which was down 5% on the second quarter. Despite this, issue volumes over the year (85.54 billion euros) are still up 28% on the same period 2014.

Spanish government debt yields FIGURE 16



Source: Thomson Datastream. Data to 15 September.

Further falls in short-term treasury yields, taking them to historical lows.

Against this backdrop, short-term treasury yields fell during the year's third quarter below the second quarter's close to hover around the historical lows recorded for the second quarter as a whole. By mid-September, yields on three-month, six-month and twelve-month Letras del Tesoro stood at -0.09%, 0.01% and 0.04%, respectively, having fallen by between 4 bp and 11 bp. Short-term commercial paper followed a similar downward path to record low yields, although the falls were less sharp (between 2 bp and 3 bp) and not spread over the whole curve. Rates at issue fell on three- and twelve-month paper to 0.24% and 0.56% in mid-September, respectively, but six-months paper saw a rise to 0.37% (see table 9).

Short-term interest rates[1] (%)

TABLE 9

	Dec 12	Dec 13	Dec 14	Mar 15	Jun 15	Sep 15[2]
Letras del Tesoro						
3 month	1.14	0.54	0.12	0.00	0.02	-0.09
6 month	1.68	0.70	0.25	0.05	0.05	0.01
12 month	2.23	0.91	0.34	0.06	0.08	0.04
Commercial paper[3]						
3 month	2.83	1.09	0.55	0.38	0.27	0.24
6 month	3.58	1.36	0.91	0.44	0.35	0.37
12 month	3.80	1.59	0.91	0.63	0.57	0.56

Source: Thomson Datastream and CNMV.

1 Monthly average of daily data.

2 Data to 15 September.

3 Interest rates at issue.

Long-term yields also fell, but held above their year-start levels.

Medium and long-term government bond yields also narrowed in the third quarter, by between 10 bp and 14 bp, though still held above their end-2014 levels (except for three-year debt). Yield on the ten-year bond, the most liquid, was up by 35 bp on the year. Three-, five- and ten-year notes were yielding 0.39%, 1.01% and 2.11%, respectively, in mid-September (see table 10). Corporate debt, meanwhile, despite suffering a similar squeeze on yields compared to the second quarter, remained up on the year to date, the biggest gains being at the long end, where yield rose 33 bp. In mid-September, three-, five- and ten-year notes were paying 0.99%, 2.09% and 2.65%, respectively.

Medium and long bond yields[1] (%)

TABLE 10

	Dec 12	Dec 13	Dec 14	Mar 152	Jun 15	Sep 15[2]
Government bonds						
3 year	3.40	2.00	0.65	0.25	0.54	0.39
5 year	4.22	2.68	0.96	0.53	1.11	1.01
10 year	5.35	4.15	1.77	1.26	2.21	2.11
Corporate bonds						
3 year	4.19	2.63	0.84	0.71	1.10	0.99
5 year	4.66	2.84	1.88	1.82	2.04	2.09
10 year	6.79	4.46	2.32	1.96	2.72	2.65

Source: Thomson Datastream, Reuters and CNMV.

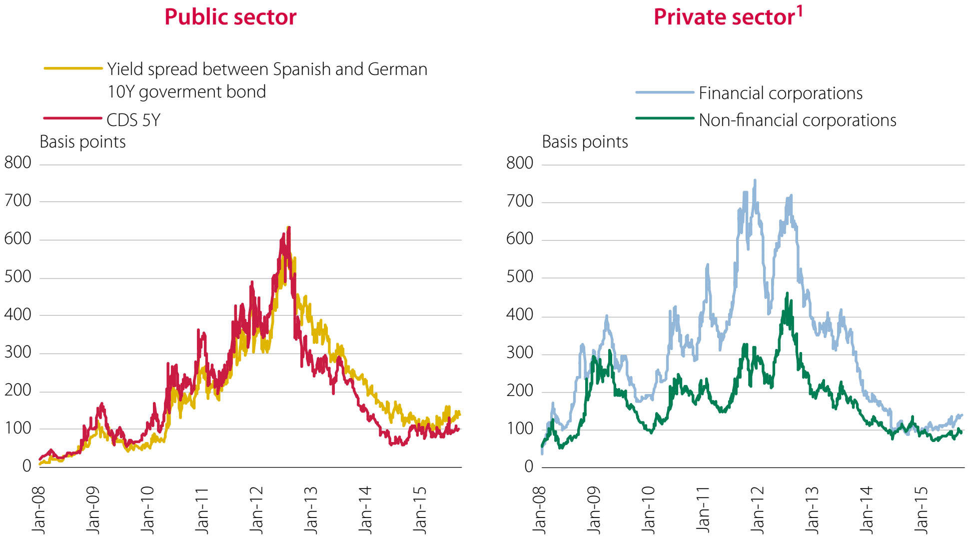
1 Monthly average of daily data.

2 Data to 15 September.

Risk premiums also experienced short-lived rises. Risk on the government benchmark widened to 138 bp, slightly above the 107 bp at which it started the year…

Credit risk premiums for the economy's sectors tracked a similar path to debt, falling at the start of the quarter as a solution to the Greek crisis loomed only to rise again slightly as uncertainties emerged over China sending ripples of instability through world markets. In the public sector, the risk premium paid on the Spanish ten-year bond over the German benchmark briefly topped 160 bp. in the early days of July on possible contagion from Greece, falling subsequently to trade a range between 130 bp and 140 bp. In mid-September the premium was 138 bp, above the 107 bp of end-2014, amid intensifying political risks. The CDS spread on the Spanish sovereign bond repeated the pattern on a more modest scale, rising from 96 bp at the start of the year to 130 bp in early July before falling back to 101 bp in mid-September (see left-hand panel of figure 17).

Risk premium paid by Spanish issuers FIGURE 17



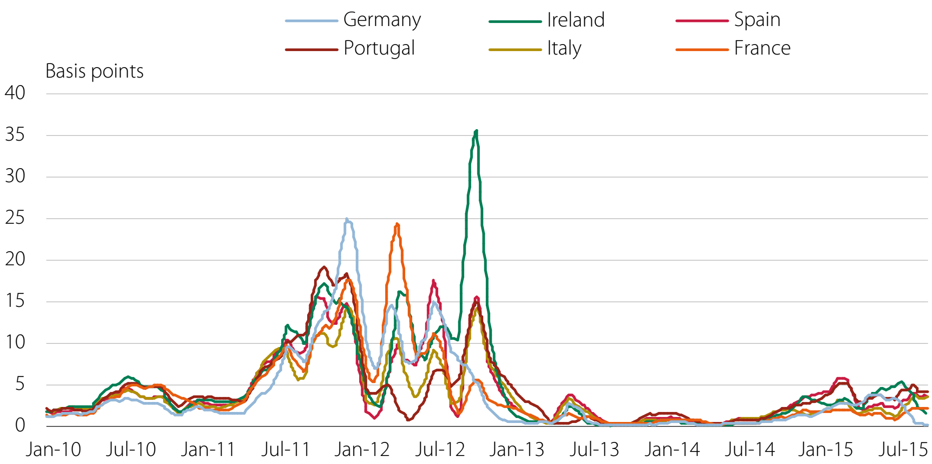
Source: Thomson Datastream and CNMV. Data to 15 September.

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

Credit risk premiums on corporate bonds showed a sharper rise for financial issuers reflecting their exposure to emerging economies, mainly in Latin America. Non-financial premiums were more stable. As the right-hand panel in figure 17 shows, the average CDS spread of Spanish financials in mid-September was 141 bp, up from the second-quarter's 128 bp and the 101 bp of end-2014. Non-financials were paying average risk premiums of 99 bp in mid-September, slightly above the 2014 close of 92 bp.

… while in the private sector, financial issuers saw the biggest increases.

Indicators of sovereign credit risk contagion in the euro area: shocks from Greece[1] FIGURE 18



Source: Thomson Datastream and CNMV. Data to 14 September.

1 For further details on the methodology used to compile these indicators see exhibit 1.2 in the *CNMV Annual Report* for 2010 and the first section of the *CNMV Bulletin* corresponding to the first quarter 2011.

Uncertainty over Greece has had little impact on other European economies, based on our indicators of sovereign credit risk contagion.

The indicators of sovereign credit risk contagion from Greece to other euro area countries flagged some small and short-lived increases, reflecting the doubts and difficulties in the negotiation of a new bailout deal between Greece and the European Union. That said, as figure 18 shows, such contagion was minimal compared to the levels reached during Europe's sovereign debt crisis.

Gross fixed-income issues

TABLE 11

					2015		
Registered[1] with the CNMV	**2011**	**2012**	**2013**	**2014**	**1Q**	**2Q**	**3Q[2]**
NOMINAL AMOUNT (million euros)	**287,490**	**357,830**	**138,839**	**130,258**	**36,633**	**31,206**	**17,702**
Mortgage bonds	67,227	102,170	24,800	23,838	8,300	8,025	6,050
Territorial bonds	22,334	8,974	8,115	1,853	3,500	3,500	3,000
Non-convertible bonds and debentures	18,692	86,442	32,537	41,155	13,901	3,961	1,789
Convertible/exchangeable bonds and debentures	7,126	3,563	803	750	0	0	0
Asset-backed securities	68,410	23,800	28,593	29,008	3,000	11,773	1,950
Domestic tranche	63,453	20,627	24,980	26,972	3,000	9,507	1,950
International tranche	4,957	3,173	3,613	2,036	0	2,267	0
Commercial paper[3]	103,501	132,882	43,991	33,654	7,932	3,947	4,912
Securitised	2,366	1,821	1,410	620	940	480	0
Other commercial paper	101,135	131,061	42,581	33,034	6,992	3,467	4,912
Other fixed-income issues	0	0	0	0	0	0	0
Preference shares	200	0	0	0	0	0	0
Pro memoria:							
Subordinated issues	28,549	7,633	4,776	7,999	660	1,810	742
Covered issues	10	0	193	196	0	0	0
					2015		
Abroad by Spanish issuers	**2011**	**2012**	**2013**	**2014**	**1Q**	**2Q**	**3Q4**
NOMINAL AMOUNT (million euros)	**120,043**	**91,882**	**47,852**	**56,736**	**22,825**	**11,874**	**5,740**
Long-term	51,365	50,312	34,452	35,281	12,364	6,356	3,123
Preference shares	0	0	1,653	5,602	2,250	0	0
Subordinated debt	242	307	750	3,000	1,500	0	0
Bonds and debentures	51,123	50,005	32,049	26,679	8,614	6,356	3,123
Asset-backed securities	0	0	0	0	0	0	0
Short-term	68,677	41,570	13,400	21,455	10,461	5,518	2,617
Commercial paper	68,677	41,570	13,400	21,455	10,461	5,518	2,617
Securitised	322	11,590	0	0	0	0	0
***Pro memoria:* Gross issuance by subsidiaries of Spanish companies resident in the rest of the world**							
					2015		
	2011	**2012**	**2013**	**2014**	**1Q**	**2Q**	**3Q[4]**
NOMINAL AMOUNT (million euros)	**108,538**	**49,392**	**48,271**	**41,682**	**13,204**	**17,406**	**5,578**
Financial corporations	79,342	18,418	8,071	9,990	2,369	5,375	1,480
Non-financial corporations	29,197	30,974	40,200	31,691	10,835	12,031	4,098

Source: CNMV and Banco de España.

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

2 Data to 15 September.

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

4 Data to 31 July.

Gross issuance of debt filed with the CNMV in the third quarter 2015 (to 15 September) totalled 17.70 billion euros, less than the 18.71 billion in the same period last year and barely half that of either of the two preceding quarters. Much of this fall was due to asset-backed security issues, down by 9.8 billion in the third quarter to barely a third of the volume seen in the same period 2014. Also, to a lesser extent, non-convertible bonds and debentures, whose volumes have declined steadily as the year went on. Total issuance since January was 85.54 billion euros, 28% more than in the prior year period, thanks to plentiful taps by issuers in the first two quarters. Sales of mortgage and territorial covered bonds were notably up, as were non-convertible bonds and debentures, offsetting a fall-off in corporate paper.

Debt issued since January totals 85.54 billion euros, 28% more than in the first three quarters 2014.

Breaking issues down by type of instrument, the third quarter continued the popularity of mortgage covered bonds which made up over 34% of the whole volume, compared to 23% and 26% in the first and second quarters, respectively. Issuance of these bonds totalled 6.05 billion euros in the third quarter and 22.38 billion year to date, increases of 73% and 25%, respectively, on the same periods 2014. The rise owed much to the positive impact of the ECB's covered bond purchase programme (CBPP3) on demand and costs of issue, which are at all-time lows. By 11 September, the ECB had bought a total of more than 116 billion euros under this programme, 18% on the primary market (see exhibit 2).

Much of the rise in corporate bond issuance was in mortgage covered bonds, which got a boost from the ECB's purchase programme both in terms of demand and in issue costs.

Issuing fixed-income securities abroad remained popular, although the pace of growth slowed somewhat slightly reducing its weighting in total placements by Spanish issuers (down from 35% in 2014 to 32%). The total to July was 40.44 billion euros against 36.44 billion in the same period 2014. Breaking international issues down we find an on-going rise in short-term fundraising through commercial paper which made up 46% of the total to September, up from 38% in 2014. We also saw a rise in issues by foreign subsidiaries of Spanish companies which placed 36.19 billion euros in the year to July, compared to 41.68 billion in the whole of 2014.

Debt issues abroad continue to impress by their volume, but volumes have stabilised as a share of total issuance.

CNMV Circular 1/2015, of 23 June, on data and statistical information on market infrastructures EXHIBIT 4

This Circular aims to create a single regulation covering all statistical data sets that the Spanish market infrastructures have to provide to the CNMV so that it can fulfil its supervisory functions. The scope of market infrastructure covered by the Circular includes trading (official secondary markets, multilateral trading facilities and the Sociedad de Bolsas) and post-trade infrastructure (central counterparties and central securities depositaries).

It results from a number of legislative changes stemming from the new draft of article 86.2 of the Securities Market Law (Spanish acronym: LMV) brought in by Law 2/2011, of 4 March, on the Sustainable Economy. This empowered the Minister of Economy and Competitiveness – and, by delegation, the CNMV – to regulate the registers, internal and statistical data bases and documents that the entities listed in article 84.1 are obliged to keep, including those kept by market infrastructure regulators.

Order ECC/2515/2013, of 26 December, implementing article 86.2 of the LMV empowered the CNMV to issue this Circular which establishes, compiles and details the statistical information on the structure and operations of market infrastructures that must be captured, kept and disclosed to the CNMV on a continuous or regular basis by the management companies of these infrastructures.

The Circular clarified the CNMV's powers to request such data, which was previously done under the power granted the CNMV by article 85 of the LMV, to require information in the course of its supervisory and inspection duties.

The Circular also empowers the CNMV to request continuous or regular rather than periodic or occasional information, as permitted by the same article 85. Specifically, the Circular authorises the CNMV to decide the informational content of the registers, internal or statistical databases and documents that market infrastructures must keep, defining the data fields and which data must be captured and kept and setting technical and computing specifications (frequency, deadlines for filing, formats, etc.). The aim is to make sure infrastructures provide all the data the CNMV needs to exercise its supervisory role rather than merely the data they consider useful to their internal management or commercial operations.

The statistics to be collected, covered by the Circular, include everything related to the cycle of services provided by the various infrastructures. The services covered include all those offered from the moment an intermediary member inputs a buy or sell order to the infrastructure's systems to the moment the final outcome is logged in its accounts.

Regarding structure, the Circular consists of five standards, an exemption clause, a final provision and an annex that forms an integral part. The annex is broken down into sections covering the different data sets for each supervisory company or infrastructure being managed and defines the timing, method and deadline for reporting data to the CNMV. Data fields, formats, length, positions and other technical details will be set in future "technical specifications files" available only to the corresponding entities who will then have to upload the data to the appropriate reserved area of the CNMV's computing system.

Preparation of the Circular required the CNMV to systematically and objectively identify which statistical information would contribute to better planning the work of both the infrastructures and itself, a question that was approved by the CNMV's Consultative Committee.

It should also be said that the new standard does not impose any disproportionately heavy administrative load as the statistics sought generally overlap with those already being reported to the CNMV.

Finally, the Circular prescribes an updatable list of all reportable data. The list can be updated to include any future amendments, such as those pending in the next few months with the launch of the new clearing, settlement and registry system.

4 Market agents

4.1 Investment vehicles

Mutual funds[8]

At the end of June 2015, assets under management in mutual funds had grown by 11.7% to 222.06 billion since the start of the year (see table 13). The rise continues the expanding trend of the last two years, lifting sector assets back close to levels seen in mid-2008. Nearly 90% of the rise stemmed from net subscriptions during the half-year, particularly in the first quarter, which exceeded 20 billion euros (see table 12). The biggest inflows were to balanced fixed-income (18.34 billion euros) and balanced equities (6.22 billion), whereas net redemptions were highest in guaranteed fixed-income funds (4.76 billion) and passively managed funds (4.44 billion). Investors are, then, behaving much as they did in the previous two years with a greater appetite for risk, but there are two notable differences. First, it seems they are seeking out slightly riskier funds than in 2013 and 2014. Second, passively managed funds, which had tripled their managed assets over these two years, saw, as we noted, a wave of redemptions.

Assets under management in mutual funds grew by 11.7% in 1H 2015, to 222.06 billion euros. Investor subscriptions accounted for 90% of the increase…

Net mutual fund subscriptions TABLE 12

				2014		2015	
Million euros	**2012**	**2013**	**2014**	**3Q**	**4Q**	**1Q**	**2Q**
Total mutual funds	-12,737.7	24,133.0	35,972.7	8,828.3	6,308.5	13,407.4	7,566.1
Fixed income[1]	-5,843.6	13,783.1	13,492.7	3,678.6	3,223.8	1.077.1	-3,926.8
Balanced fixed income[2]	-775.2	2,059.3	15,712.0	4,103.7	4,383.1	9,001.4	9,335.9
Balanced equity[3]	-383.1	1,881.9	6,567.7	2,349.7	1,570.1	2,666.8	3,548.2
Euro equity[4]	-163.7	1,730.3	2,184.9	460.6	-13.6	-97.3	231.9
International equity[5]	-420.6	900.2	531.8	-145.6	-121.9	1,440.3	1,269.5
Guaranteed fixed income	-853.0	-4,469.2	-10,453.6	-1,707.5	-2,320.0	-1,827.4	-2,929.7
Guaranteed equity[6]	-3,523.5	-2,070.2	-909.5	-566.0	-276.4	-921.6	-1,426.5
Global funds	-7.5	847.4	2,182.3	576.6	657.5	2,352.8	2,145.2
Passively managed[7]	572.1	9,538.2	4,970.9	-343.8	-1,127.5	-1,922.1	-2,516.0
Absolute return[7]	-1,339.4	-67.8	1,693.9	422.2	333.4	1,637.4	1,834.4

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 2009. Absolute return funds were previously classed as Global funds.

8 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.

Main mutual fund variables*

TABLE 13

Number	2012	2013	2014	2014 3Q	2014 4Q	2015 1Q	2015 2Q
Total mutual funds	**2,185**	**2,045**	**1,951**	**1,959**	**1,951**	**1,936**	**1,862**
Fixed income[1]	454	384	359	367	359	358	359
Balanced fixed income[2]	125	122	123	117	123	122	126
Balanced equity[3]	117	128	131	125	131	132	132
Euro equity[4]	127	108	103	103	103	110	109
International equity[5]	211	193	191	186	191	193	196
Guaranteed fixed income	398	374	280	303	280	261	226
Guaranteed equity[6]	361	308	273	275	273	263	225
Global funds	192	162	162	165	162	168	172
Passively managed[7]	85	169	227	222	227	233	221
Absolute return[7]	115	97	102	96	102	96	96
Assets (million euros)							
Total mutual funds	**124,040.4**	**156,680.1**	**198,718.8**	**192,199.6**	**198,718.8**	**219,110.5**	**222,058.0**
Fixed income[1]	40,664.6	55,058.9	70,330.9	66,841.2	70,330.9	72,059.6	67,600.0
Balanced fixed income[2]	5,500.9	8,138.0	24,314.3	19,917.0	24,314.3	34,217.4	42,820.0
Balanced equity[3]	3,179.9	6,312.4	13,570.4	11,668.9	13,570.4	17,038.9	20,056.7
Euro equity[4]	5,270.2	8,632.8	8,401.5	8,693.6	8,401.5	9,621.1	9,377.7
International equity[5]	6,615.0	8,849.0	12,266.4	12,151.9	12,266.4	15,479.0	16,320.9
Guaranteed fixed income	36,445.0	31,481.2	20,417.0	23,122.1	20,417.0	18,271.9	14,702.3
Guaranteed equity[6]	14,413.2	12,503.8	12,196.4	12,497.2	12,196.4	11,751.0	9,996.9
Global funds	4,358.6	4,528.1	6,886.3	6,255.6	6,886.3	9,685.5	11,587.0
Passively managed[7]	2,991.2	16,515.9	23,837.5	24,971.5	23,837.5	22,688.0	19,608.4
Absolute return[7]	4,601.9	4,659.9	6,498.1	6,080.4	6,498.1	8,298.0	9,988.1
Unit-holders							
Total mutual funds	**4,410,771**	**5,050,719**	**6,409,806**	**6,134,711**	**6,409,806**	**7,050,828**	**7,396,161**
Fixed income[1]	1,261,634	1,508,009	1,941,567	1,818,308	1,941,567	2,092,925	2,113,775
Balanced fixed income[2]	188,574	240,676	603,099	506,220	603,099	813,223	1,047,453
Balanced equity[3]	138,096	182,223	377,265	313,796	377,265	465,249	559,016
Euro equity[4]	220,450	293,193	381,822	384,252	381,822	410,761	423,996
International equity[5]	398,664	457,606	705,055	651,495	705,055	843,867	955,135
Guaranteed fixed income	1,075,852	1,002,458	669,448	744,545	669,448	610,911	498,140
Guaranteed equity[6]	727,880	608,051	557,030	577,616	557,030	508,952	438,262
Global funds	101,321	128,741	223,670	195,290	223,670	305,397	371,784
Passively managed[7]	125,003	441,705	686,526	692,827	686,526	667,088	584,270
Absolute return[7]	173,297	188,057	264,324	250,362	264,324	332,455	404,330
Return[8] (%)							
Total mutual funds	**5.50**	**6.50**	**3.67**	**0.43**	**0.08**	**3.85**	**-1.98**
Fixed income[1]	3.54	2.28	2.41	0.55	0.28	0.99	-1.24
Balanced fixed income[2]	4.95	4.16	3.67	0.71	0.01	3.27	-2.14
Balanced equity[3]	7.83	10.85	4.70	0.77	0.28	5.56	-2.53
Euro equity[4]	12.31	28.06	2.09	-2.35	-3.38	15.94	-4.81
International equity[5]	13.05	20.30	6.61	-0.91	2.27	14.27	-2.75
Guaranteed fixed income	4.85	4.96	2.54	0.39	-0.14	0.51	-0.65
Guaranteed equity[6]	5.07	6.15	2.64	0.38	-0.60	4.27	-2.76
Global funds	7.44	8.71	4.63	0.68	0.54	6.64	-1.82
Passively managed[7]	7.10	8.88	7.74	1.49	-0.02	3.53	-2.68
Absolute return[7]	3.84	2.46	1.98	0.18	0.22	2.50	-1.47

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 and partial protection equity funds.

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

8 Annual return for 2012, 2013 and 2014. Quarterly data comprise non-annualised quarterly returns.

Mutual fund returns to mid-year were slightly positive (1.8%) but, as with the markets, performances varied widely between the two quarters. Portfolios gained 4.0% in the first quarter only to lose 2.0% in the second (see table 13) and all fund categories, without exception, posted gains then losses in the first two quarters, respectively. The biggest six-month earners were euro and international equity funds which returned 15.9% and 14.3%, respectively, in the first quarter as equi-ty markets rallied. The only net losers to mid-year were fixed income and guaranteed fixed income funds, down -0.3% and -0.1%, respectively.

… the rest was due to gains by fund portfolios, which were positive in 1Q but negative in 2Q.

Despite the expansion in fund assets the number of funds continued to decline in the first quarter 2015 as investment firms continue to streamline product offerings. That said, the downward trend seems to be diminishing. At end-June there were 1,862 registered funds, 89 fewer than in 2014. Like last year, the sharpest reduction was in guaranteed fixed-income funds (54), followed by guaranteed equity (48).

Fund numbers continued to fall, mainly because of a smaller offering of guaranteed funds.

Investor numbers rose by nearly one million since December 2014 to nearly 7.4 million at end-June. Mirroring trends in assets, the fastest growth was in balanced fixed income and balanced equity funds, which recruited 444,000 and 182,000 net new subscribers each. Only guaranteed fixed income and equity funds and passively managed funds lost unit-holders.

At end-June there were 7.4 million unit-holders, nearly a million more than in December 2014.

Data available for July 2015 suggest the industry's expansion is not over yet. Assets and unit-holder numbers look to have increased by around 1% since June. The number of funds also fell again.

Preliminary figures for July suggest the growth in assets under management and investors continued in 3Q.

Liquidity analysis shows that the volume of less-liquid fund assets rose from 2.16 billion euros in December 2014 to 2.72 billion by mid-year 2015. Over the same period the proportion of these assets barely changed, hovering between 1% and 1.2% of total fund assets. The biggest jump in thinly liquid assets was in securitisations (see table 14). Although these figures may suggest funds are holding amply liquid assets we need to be cautious in drawing conclusions. There is no established way to rate the liquidity of financial assets and liquidity on markets, particularly fixed-income markets, can deteriorate fast in times of turbulence. For the purpose of this report, an asset is deemed liquid if a price is available based on firm bids by several contributors.

Less liquid assets continue to make up only a small portion of fund balance sheets.

Estimated liquidity of mutual fund assets

TABLE 14

	Less-liquid investments					
	Million euros			% total portfolio		
Type of asset	**Dec 14**	**Mar 15**	**Jun 15**	**Dec 14**	**Mar 15**	**Jun 15**
Financial fixed income rated AAA/AA	29	19	21	3	2	2
Financial fixed income rated below AAA/AA	1,177	935	1,078	6	4	5
Non-financial fixed income	328	331	384	5	4	4
Securitisations	623	958	1,238	21	35	50
AAA-rated securitisations	97	81	62	100	93	92
Other securitisations	526	877	1,176	18	33	48
Total	**2,157**	**2,244**	**2,722**	**7**	**7**	**8**
% of mutual fund assets	**1.1**	**1.0**	**1.2**			

Source: CNMV.

Real estate schemes

Real estate funds declined less steeply than in recent years.

Although the Spanish construction and real estate sector has mounted a modest recovery, the activity of real estate schemes continues to weaken, though admittedly the pace of decline seems to be slowing.

No great change in real state investment indicators in 1H though profitability did pick up marginally in 2Q.

Real estate investment schemes took the biggest hit from the stalled property sector in recent years and little changed in the first six months of this year. At end-June the segment still counts three funds, the same ones as at end-2014, after several years of heavy closures. Note too that one of the funds split off its liquid units into a separate euro fixed income fund, retaining only institutional investors in the real estate fund. The number of unit-holders therefore fell by 2.8% to 3,910. Assets were largely unchanged at 419.5 million euros to mid-year. Returns picked up substantially in the early months of 2015 reflecting an uptick in real estate prices, which actually broke into the black in the second quarter at 0.39% (following -0.26% in the first).

One real estate investment company closed, substantially reducing the assets under management and shareholder numbers in this segment.

Real estate investment companies recorded bigger losses in their variables in the second quarter 2015 having held steady until then. There were six left at the end of June after one was wound up in May. As a result assets declined by 19.2% to 683 million euros and shareholder numbers dropped from 845 to 683.

Hedge funds

Spanish hedge funds grew assets in the early months 2015 despite some closures.

Hedge funds grew assets between January and May 2015 by 19% to top 2 billion euros. There were 48 funds in business at end-May, two fewer than at the turn of the year.

Pure hedge funds continued to expand in 2015: assets grew 22.7% and investor numbers rose 10.6%.

Table 15 shows pure hedge funds continued the expansion trend of recent years in the first half of 2015. Assets under management rose 22.7% to 1.68 billion euros by end-May with unit-holder numbers up by 10.6% to 3,118, the rise being driven by net subscriptions (182 million euros in the first five months) and 9.71% portfolio returns in the first quarter (followed by -0.23% between March and May).

Funds of hedge funds showed signs of breaking the pattern of recent years. Assets grew, although fund numbers again fell.

Funds of hedge funds, meanwhile, had 359 million euros under management in May, a 3.9% increase on the fourth quarter 2014, suggesting the shrinking trend of recent years may have touched bottom. That said, two funds closed over the period. Unit-holder numbers were near stable at 2,732 in May. Returns were 9.63%[9] and -1.23% in the first and second quarters, respectively.

9 Note that most of this figure was due to returns by the biggest hedge fund, whose assets make up around 70% of the segment total. Stripping out this fund, returns on this type of fund to end-May would have been 2.27%.

Main hedge fund and fund of hedge fund variables

TABLE 15

	2012	2013	2014	2014		2015	
				3Q	4Q	1Q	2Q[1]
FUNDS OF HEDGE FUNDS							
Number[2]	22	19	14	16	14	14	12
Unit-holders	3,338	3,022	2,734	2,737	2,734	2,735	2,732
Assets (million euros)	540.0	350.3	345.4	367.5	345.4	367.0	359.0
Return (%)	0.88	4.39	8.48	4.42	1.76	9.63	-1.23
HEDGE FUNDS							
Number[2]	33	28	36	32	36	37	36
Unit-holders	2,427	2,415	2,819	2,627	2,819	3,024	3,118
Assets (million euros)	918.6	1,036.7	1,369.5	1,353.0	1,369.5	1,585.2	1,681.1
Return (%)	7.17	16.48	5.30	-0.98	0.07	9.71	-0.23

Source: CNMV.

1 Data to May 2015.

2 Number of funds that have filed financial statements (i.e., not including those in the process of winding-up or liquidation).

Foreign UCITS marketed in Spain

This segment has been expanding since 2012 and continued to do so in the first half of 2015. Assets under management increased 28.2% to 101.27 billion euros. This is 25.3% of all assets managed by UCITS sold in Spain (see figure 19), a percentage that has been rising almost without interruption from 8% in 2008.

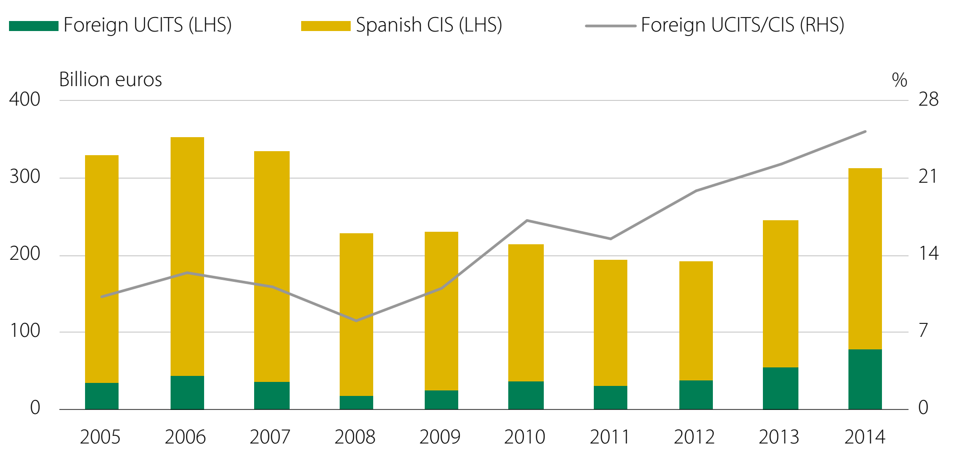
Foreign UCITS continue to expand in Spain…

Funds and companies alike increased their assets over the period, funds by 25.1% to 13.97 billion euros and companies by 28.9% to 87.30 billion. Investor numbers also rose by 8% to 1.4 million, a somewhat slower increase than in recent years. Institution numbers rose to 46, 12 funds and 34 companies.

… both investment funds and companies.

Assets of foreign UCITS marketed in Spain

FIGURE 19



Source: CNMV.

Current interest rates and recovering household incomes are good news for the fund industry. But unstable markets and possibly greater competition from banks for deposits could hold back its growth.

The collective investment industry is a big winner from current low interest rates and gradually rising household incomes. That said, there are risks to consider, such as recent turbulence and liquidity problems in fixed-income markets, still the destination for most investment fund assets, or the high volatility in equity markets, something that could hit equity investing funds just when investors are showing greater interest in such vehicles. We have also seen some revival of competition from financial institutions trying to attract deposits. If this intensifies it could draw growth away from investment funds.

Measures to improve transparency in the marketing of CIS EXHIBIT 5

2014 continued the trend, first seen in 2013, to replace guaranteed funds with others that stipulated a new target return that was not guaranteed. In most cases, the new target return can be translated as an unguaranteed AER, which is relatively easy for investors to understand. But in others the unguaranteed return depends on an equity underlying (index, shares, currencies, etc.). In this second type of fund, investors find it harder to get much idea of what returns they might expect.

Also, a substantial proportion of the subscriptions in 2014 went to fixed-income and money market funds, in line with the deeply conservative profile hitherto shown by Spanish fund investors.

In light of these trends, the CNMV decided to run a review of transparency obligations when marketing CIS with a target return and fixed-income CIS. We identified a number of measures to improve transparency, published in a press release on 23 January 2015 (available at www.cnmv.es "Other communications"). The aim is to furnish investors with information that gives them a more realistic idea of the risks and returns they can expect from such funds.

The measures taken are summarised below:

i) For CIS with variable target returns the key investor information document (KIID) must include essential data for the investor on scenarios for returns (unfavourable, moderate and favourable), plus an estimate of the probability of each based on Monte Carlo simulations run on risk neutral assumptions. The probability should be based on the following percentiles: 10% (unfavourable scenario), 50% (moderate scenario) and 90% (favourable scenario). Also, using the same methodology, unit-holders must be told the estimated probability of their investment breaking even.

In addition to the above information, the KIID must include a chart using the historical simulation method of returns that would have been delivered if the fund had been launched weekly over, as a minimum, the last ten years.

ii) CIS with target returns must include in their KIID a summary of their financial structure so that investors can understand the total income of the fixed income portfolio and initial cash, the total costs they will have to pay and any investments in derivatives used to achieve the target return.

iii) Managers must put in place internal controls to make sure that, during fund launches or subsequent fundraisings, portfolio acquisitions are always made on terms that meet the AER stated in the portfolio.

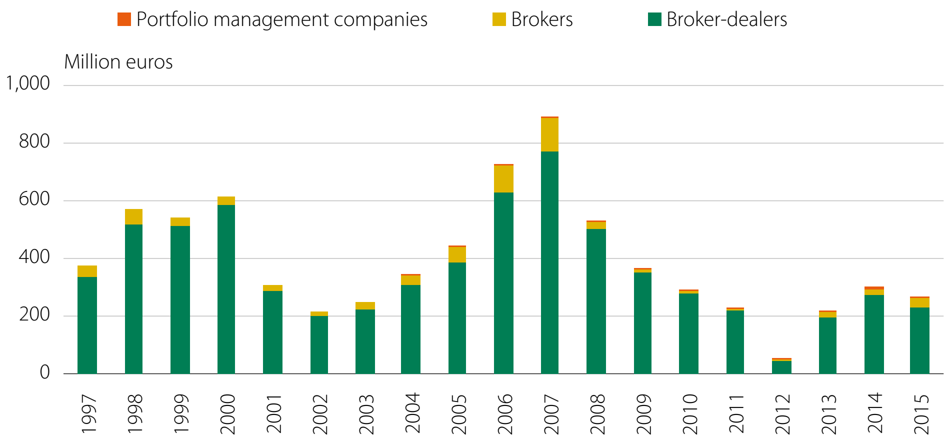
iv) Fixed-income CIS must include: i) in the KIID, more information on credit risk; and ii) in regular reports to investors, data on the average life and gross average return at market prices of the fixed-income portfolio expressed as an AER.

4.2 Investment services firms

After two years of expansion, IF profits fell 11% in 1H 2015 amid greater instability on financial markets.

In the first six months of 2015 investment firms (IFs) faced an upsurge in market instability that peaked in the second quarter. The sector as a whole posted first-half profits before tax of 266 million euros (in annualised terms), 11.3% down on 2014 earnings (see figure 20). This represents a break with the positive story of the last two years when, following four or five grim years of plunging profits and failures, the sector was beginning to make significant advances again. Behind the setback were broker-dealers, who have the biggest weighting in the sector and whose first-half profits fell 16.0% in annualised terms. At the end of June, 80[10] firms were registered with the CNMV, down from 83 at end-2014, following four withdrawals and one new entrant. Six firms have EU passports via a branch – no change from last year – and 40 qualify for passporting under free provision of services rules, one fewer than six months ago.

Investment firm[1] pre-tax profits[2] FIGURE 20



Source: CNMV.

1 Except investment advisory firms

2 Annualised earnings.

10 Excluding investment advisory firms, which are dealt with separately in a later section in view of their different characteristics.

Aggregate profits of broker-dealers fell 26% on worsening net interest income and exchange losses. However, net fee income for investment services held stable.

Profits before tax earned by broker-dealers fell 26.1% compared to the first six months of 2014 to 114.4 million euros. This comprised 86.0% of all profits in the sector (see table 16). The drop in earnings was mainly due to a 20.7% fall in net interest income and a 63.86 million euro loss under "Net exchange income" rather than the 43.4 million euro gain recorded last June. Net fee income – the biggest business – was near steady. Fees earned rose 2.1% and fee expense was up 3.6%. The biggest gains in fee income came from marketing CIS, up 18.6%, and the "Others" item, which rose 24.8%. Portfolio management fees, although still only a small contributor, have been gathering importance for some years and earned firms more than 11.7 million euros in the period. In contrast, fees from order processing and execution, far and away the biggest volume item, fell by 15.3 million euros year-on-year to June, to 175.6 million. Income from investment advising repeated the pattern of recent years, falling 53.5% to 1.8 million euros.

Broker-dealers also saw a rise in their operating and other expense items in 1H.

All of which resulted a fall in gross income of 9.6% to 308 million euros. After factoring in the 3% rise in operating expenses to 193.4 million euros and a 68.1% jump in depreciation to 3.4 million, net operating income at June 2014 was 109.8 million euros, a 27% fall compared to the prior year period.

Brokers' profits increased thanks to lower costs, despite a steep fall in fee income.

Brokers performed better over the period, increasing profits by 11.4% to 16.2 million euros. Most of this was due to an 8.5% reduction in operating expenses and, less significantly, a 32.0% fall in depreciation and other charges. However, the items comprising gross income underperformed the first half of 2014, falling by 4.9% overall to 60.7 million euros. Behind the fall lay an 8.6% reduction in net fee income, which accounts for 95% of brokers' income. Two items accounted for most of the erosion. Fees for order execution and processing fell from 25.5 million euros to 17.9 million and portfolio management fees, the second-biggest earner, were down by 33.7% to 4.6 million euros. In contrast, CIS marketing and investment advising fees were the only risers, up by 22.7% and 61.6%, respectively. Fee expense declined by a substantial 15.7%, but this was not enough to offset the slippage in fee income, leading to the lower net fee income mentioned above.

Net profit of portfolio management companies also rose, but unlike broker-dealers and brokers they grew income and cut costs.

Portfolio management companies performed similarly to brokers, raising profits before tax by 15.0% to 2.2 million euros (see table 16). Most of this was explained by a 6.7% growth in net fee income coupled with a 2.9% drop in operating costs. In turn, fee income was being driven by the portfolio management item, up by 24.9%.

Aggregate income statement (June 15)

TABLE 16

Thousand euros	Broker-dealers			Brokers			Portfolio managers		
	Jun 14	Jun 15	% var.	Jun 14	Jun 15	% var.	Jun 14	Jun 15	% var.
1. Net interest income	25,055	19,859	-20.7	615	448	-27.2	125	226	80.8
2. Net fee income	229,051	229,613	0.2	63,355	57,929	-8.6	4,635	4,944	6.7
2.1. Fee income	323,269	327,200	1.2	75,553	68,206	-9.7	5,861	7,594	29.6
2.1.1. Order processing and execution	191,070	175,630	-8.1	25,577	17,922	-29.9	-	-	-
2.1.2. Issue placement and underwriting	7,390	6,594	-10.8	3,851	1,891	-50.9	-	-	-
2.1.3. Securities custody and administration	10,442	12,211	16.9	311	226	-27.3	-	-	-
2.1.4. Portfolio management	10,094	11,744	16.3	6,995	4,640	-33.7	5,035	6,290	24.9
2.1.5. Investment advising	3,829	1,779	-53.5	2,673	4,319	61.6	514	193	-62.5
2.1.6. Search and placement	3,956	744	-81.2	0	186	-	-	-	-
2.1.7. Margin trading	0	0	-	0	0	-	-	-	-
2.1.8. CIS marketing	30,549	36,225	18.6	21,667	26,577	22.7	0	0	-
2.1.9. Others	65,938	82,274	24.8	14,480	12,445	-14.1	312	1,111	256.1
2.2. Fee expense	94,218	97,587	3.6	12,198	10,277	-15.7	1,226	2,650	116.2
3. Result of financial investments	36,828	114,846	211.8	565	731	29.4	46	15	-67.4
4. Net exchange income	43,447	-63,865	-	-3	654	-	227	95	-58.1
5. Other operating income and expenses	6,440	7,555	17.3	-661	979	-	-170	-218	-28.2
GROSS INCOME	**340,821**	**308,008**	**-9.6**	**63,871**	**60,741**	**-4.9**	**4,863**	**5,062**	**4.1**
6. Operating expenses	187,841	193,477	3.0	48,322	44,218	-8.5	2,911	2,827	-2.9
7. Depreciation and other charges	2,056	3,456	68.1	944	642	-32.0	22	15	-31.8
8. Impairment losses	471	1,180	150.5	-4	10	-	0	0	-
NET OPERATING INCOME	**150,453**	**109,895**	**-27.0**	**14,609**	**15,871**	**8.6**	**1,930**	**2,219**	**15.0**
9. Other profit and loss	5,691	4,567	-19.8	-8	401	-	0	0	-
PROFITS BEFORE TAXES	**156,144**	**114,462**	**-26.7**	**14,601**	**16,272**	**11.4**	**1,930**	**2,219**	**15.0**
10. Corporate income tax	34,483	21,303	-38.2	802	1,214	51.4	550	645	17.3
PROFITS FROM ONGOING ACTIVITIES	**121,661**	**93,159**	**-23.4**	**13,799**	**15,058**	**9.1**	**1,380**	**1,574**	**14.1**
11. Profits from discontinued activities	0	0	-	0	0	-	0	0	-
NET PROFIT FOR THE YEAR	**121,661**	**93,159**	**-23.4**	**13,799**	**15,058**	**9.1**	**1,380**	**1,574**	**14.1**

Source: CNMV.

Mixed ROE performance for investment firms: brokers do better while broker-dealers and portfolio managers do worse.

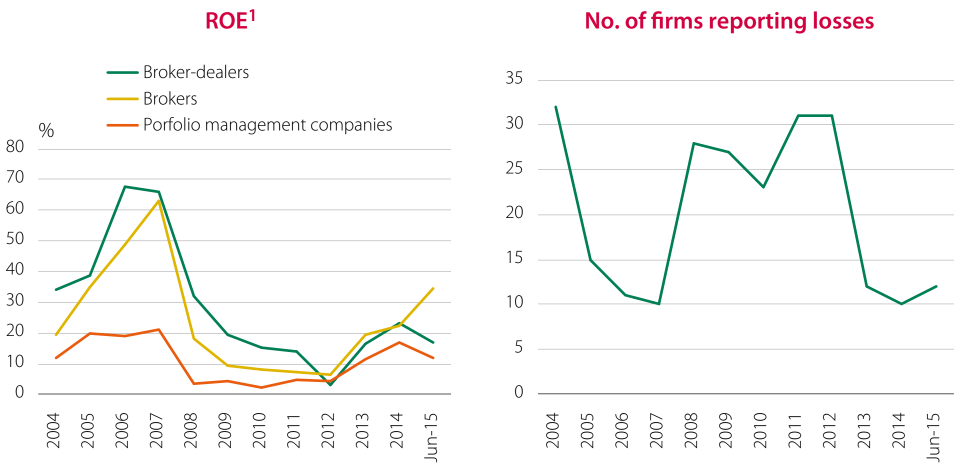
Meanwhile, return on equity (ROE) earned by broker-dealers and portfolio managers seems to have turned a corner. After two straight years of recovery, broker-dealers' ROE fell from 23.0% to 17.0% and that of portfolio managers from 16.9% to 11.9%. Brokers, in contrast, managed to boost profitability from 22.2% ROE to 34.5% (see figure 21).

Slight rise in number of loss-making firms, although the overall scale of losses fell substantially.

The number of loss-making firms went from ten at end-2014 to twelve by mid-2015. Mostly, this was due to broker-dealers where loss-makers increased from four to seven. Loss-reporting brokers fell from six to five. No portfolio managers are in the red and nor were any in the prior half-year. Although the number of loss-making firms rose, their combined total loss shrank substantially to 6.4 million euros.

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

FIGURE 21



Source: CNMV.

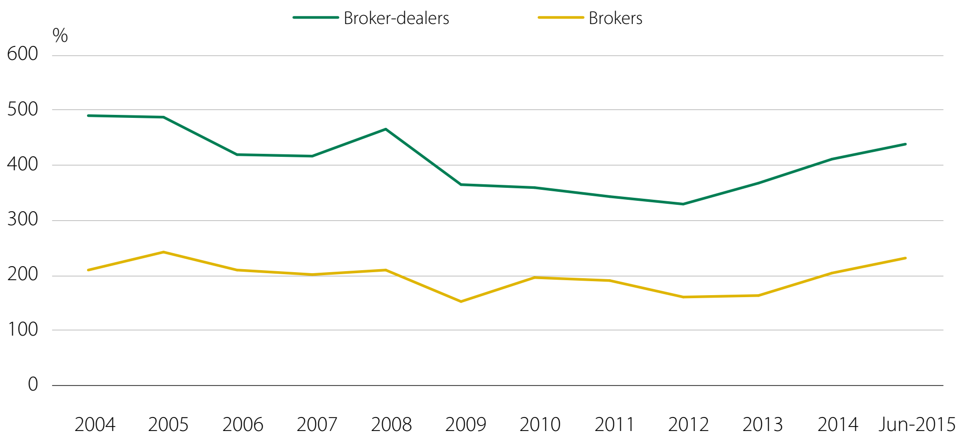
1 ROE based on annualised pre-tax earnings.

Solvency of investment firms remained robust in 1H.

Investment firms' solvency conditions remained optimal in the first half of the year. The capital adequacy ratio of firms that have to file solvency statements,[11] calculated as regulatory capital over minimum capital requirement, was 4.4 in June 2015 for broker-dealers and 2.3 for brokers. This compares to 4.1 and 2.0 respectively at the end of 2014 (see figure 22).

Investment firm capital adequacy (Surplus of eligible capital to the minimum requirement)[1]

FIGURE 22



Source: CNMV.

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

Number of financial advisory firms continued to grow in 1H 2015.

In the investment advisory sector, thirteen new entrants and seven failures left Spain with 149 firms at end June, up from 143 in December 2014. Of these, ten are

11 Since 1 January 2014, according to CNMV Circular 2/2014, of 23 June, on the exercise of various regulatory options regarding the solvency of investment services firms and their consolidated groups, not all firms have to submit statements. As a result, 5 of Spain's 78 investment services firms are exempt from filing.

authorised to offer advisory services elsewhere in the European Union under the free provision of services. No data is available on advisory firms' activity in the first half of 2015 as CNMV Circular 3/2014 requires them to send reserved information annually (rather than six-monthly as before) and the latest data are therefore for the close of 2014. Table 17 shows that the volume of assets under advice increased in 2014 by 21.3% to 21.40 billion euros and fee income rose 43.6% to 47.8 million euros. Retail clients still represent 93% of all contracts, unchanged from 2013.

Main investment advisory firm variables TABLE 17

				2013	2014		% var.
Thousand euros	**2012**	**2013**	**2014**	**2H**	**1H**	**2H**	**in year**
NUMBER OF FIRMS	**82**	**126**	**143**	**126**	**134**	**143**	**13.5**
ASSETS UNDER ADVICE[1]	**14,776,498**	**17,630,081**	**21,391,417**	**17,630,081**	**14,456,415**	**21,391,510**	**21.3**
Retail customers	3,267,079	4,991,653	5,719,199	4,991,653	5,488,399	5,719,292	14.6
Professional customers	3,594,287	3,947,782	4,828,459	3,947,782	4,465,564	4,828,459	22.3
Others	7,915,132	8,690,646	10,843,759	8,690,646	4,502,452	10,843,759	24.8
NUMBER OF CONTRACTS[1]	**3,484**	**4,002**	**4,629**	**4,002**	**4,344**	**4,639**	**15.9**
Retail customers	3,285	3,738	4,313	3,738	4,044	4,323	15.7
Professional customers	175	235	276	235	264	276	17.4
Others	24	29	40	29	36	40	37.9
FEE INCOME[2]	**26,177**	**33,273**	**47,746**	**33,273**	**21,513**	**47,767**	**43.6**
Fees received	26,065	33,066	47,167	33,066	21,071	47,188	42.7
From customers	20,977	26,530	37,930	26,530	17,322	37,943	43.0
From other entities	5,088	6,537	9,236	6,537	3,749	9,245	41.4
Other income	112	206	579	206	442	579	181.1
EQUITY	**13,402**	**21,498**	**26,529**	**21,498**	**22,915**	**26,538**	**23.4**
Share capital	4,365	5,156	5,579	5,156	5,230	5,576	8.1
Reserves and retained earnings	4,798	9,453	8,993	9,453	9,899	8,993	-4.9
Profit/loss for the year[2]	4,239	6,890	11,956	6,890	7,787	11,969	73.7

1 Period-end data at market value.
2 Cumulative data for the period.

The outlook for investment services firms is complicated by heavy competition from credit institutions, particularly Spanish ones. These have long dominated businesses like fund marketing, investment placement and underwriting and securities custody and administration. Now they have started to overtake investment firms in services like order processing and execution, traditionally an area where most of the fee income went to investment firms.[12] This, coupled with the erosion of brokers' fees charged by investment firms, explains why despite rising trading volumes on markets the income brokers earned from this item – their biggest earner – fell. It seems that financial intermediaries will have to keep plugging away at efficiency gains to improve their competitive edge and build up business lines which have been doing better lately, such as fund marketing, portfolio management and financial advisory services.

The outlook for investment firms is complicated by heavy competition from banks.

12 See section 7 of the 2014 *CNMV Annual Report*.

Code of conduct reports on institutions providing investment services: significant 2014 figures by type of provider

EXHIBIT 6

There were 203 credit institutions (banks, savings banks and credit cooperatives) authorised to provide investment services in Spain at 31 December 2014 (including foreign owned institutions with branches or agents in Spain). Of these, 151 actually did business in such services. Just over 9.5 million retail customers took advantage of their services in 2014, a numbers that continues a gentle downtrend in recent years. Spanish institutions dealt with 97% of these customers, just 3% going to foreign entities.

These institutions earned 3.8 billion euros from securities market services during the year, 57% of which came from third-party commissions for sales, overwhelmingly in the CIS business. Income does not, of course, include margins earned on sales of institutions' own issues. By service provided, income broke down as follows: around 66% from intermediation (reception, transmission and placement), 16% from custody and administration, 7% from financial advising, 5% from discretional portfolio management and 6% from other income.

Intermediation for credit institutions' retail customers grew in 2014, in transaction numbers, size and income. Entities handled 200 billion euros of cash product purchases: around 60% CIS, 25% equity, 9% non-complex fixed income and the remaining 6% complex products. The trend seen in the last two years away from non-complex fixed-income products (particularly government bonds) and toward CIS continues. Derivative volumes were down by nearly 12% overall.

Purchases of complex cash products still make up a fairly low percentage of total retail investment, 6% of all cash products or around 12 billion euros. This year was notable for the substantial rise in purchases of structured products, of which around 10 billion euros were sold. These are products sold mainly by large entities and the advisory element in their sale is becoming increasingly important.

Data on warnings given to clients during marketing show that, in general, products are placed after prior evaluation of their suitablility (convenience or aptitude test) with no indiscriminate use of the execution-only exemption allowed for non-complex products. In CIS purchases, for instance, only around 10% invoked this exemption. Nor was there any significant apparent marketing of products that were unsuitable or unassessed due to lack of information.

Financial advising by authorised credit institutions, while still a marginal business, has grown substantially in 2014 both in the number of retail clients taking advice (total of 550,000), number of buy recommendations (1.5 million) and volume of sales (more than 60 billion euros). Advising services are mainly remunerated by incentive payments, which make up 95% of income, and buy recommendations most commonly concern CIS (72% of the total), followed by structured products (12%), which were the fastest growing sub-segment in volume terms this year. Recommendations for OTC derivatives are concentrated on a small number of entities and products, especially currency or interest rate derivatives. Around 68% of recommended purchase volumes concern products related to the firm offering the advice.

Discretionary portfolio management also did well in 2014 for authorised credit institutions, with big advances in numbers of retail customers, to over 190,000, and in assets under management, to 24.30 billion euros. CIS now account for 84% of managed assets and the multi-year trend toward these instruments continues. The second-biggest item is equities, with 11%. In discretionary portfolio management there is a lower preponderance of related products than in advising services, around 40% of products managed are from the same group.

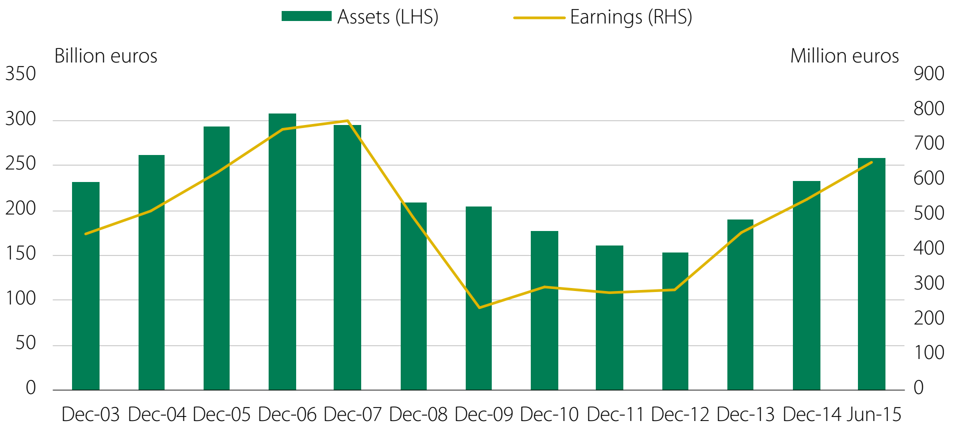
Investment services firms, not including investment advisory firms, have a considerably smaller share of the market in customer numbers than credit institutions. On 31 December 2014 they had 164,000 customers. It is more equal in total income from provision of investment services, which was more than 1 billion euros, with over 60% of this coming from intermediation. As for advisors, the total number of customers at year end was no higher than 5,000 and income was 47.5 million euros.

4.3 CIS management companies

A third year of expansion for the collective investment industry was good news for CIS managers' profits, up by near 20% in 1H 2015.

In the first half of 2015, business done by CIS management companies continued the expansionary path begun in 2013. They were helped by a low interest rate environment which encouraged investors to look beyond traditional bank term deposits. Assets under management by CIS management companies totalled 259 billion euros at the end of June, up 11.3% on end-2014. Combined profits before tax were up 19.9% to 654 million euros in annualised terms (see figure 23). Most of these gains, practically 90%, were made in the mutual fund segment but investment companies also performed well. That said, it bears mention that the sector remained heavily concentrated: combined market share of the three biggest managers is 43.1% of total assets, higher even than the 36% of December 2014.

CIS management companies: Assets under management and pre-tax profits FIGURE 23



Source: CNMV. Results to June 2015 restated on an annual basis.

ROE rose but the number of CIS management firms shrank.

The improvement was mirrored in CIS management fees, the biggest component of managers' income. These were 2.41 billion euros (annualised), up 20.5% since the end of 2014. The average management fee was 0.93% of managed assets, above the 0.85% charged at end-2014, mainly because investment funds have restructured their assets toward riskier asset classes which pay higher fees. Similarly, the ROE of all CIS management companies increased substantially, repeating the pattern of recent years, from 48.5% at end-2014 to 54.7% in June this year. In line with the healthy results, the number of loss-making managers fell from 14 to 11, although the cumulative volume of losses rose slightly compared with last year (3.4%) to 2.9 million euros (annualised) at the end of June.

The number of CIS managers was unchanged at 96. The sector is nearing the end of its shake-out.

Restructuring in the sector, which followed the restructuring of the financial sector, seems to be nearing its end. In the first eight months of the year, only one fund manager closure was attributable to this process. Over the same period there were two new entrants and another disappearance, leaving the number of CIS management companies at 31 August this year unchanged from December 2014 at 96.

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

Million euros

	Assets under management	CIS management fee income[1]	Average CIS management fee[1] (%)	Fee ratio[2] (%)
2008	208,861	2,302	1.10	70.80
2009	203,730	1,717	0.84	68.08
2010	177,055	1,639	0.93	67.24
2011	161,481	1,503	0.93	65.60
2012	152,959	1,416	0.93	64.62
2013	189,433	1,594	0.84	61.94
2014	234,588	2,004	0.85	61.80
June 15	258,575	2,414	0.93	62.90

Source: CNMV.

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

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

4.4 Other intermediaries: venture capital

The number of VCEs fell in the early months of the year, despite the creation of new SME venture capital funds and companies under new law for the sector.

The number of venture capital entities (VCEs) dwindled from 344 in December 2014 to 340 in August 2015 as the number of venture capital companies fell (see table 19). Among these, 146 were venture capital funds (VCFs), 5 were SME venture capital funds, 111 were venture capital companies (VCCs), 4 were SME venture capital companies and 74 were VCE management companies. Table 19 includes the effects of last year's changes, the result of Law 22/2014, of 12 November, which permitted two new types of vehicle: SME venture capital funds and SME venture capital companies. The five new funds set up in this category are transformations of existing VCFs. One SME venture capital company also derives from an existing VCC. The three others are newly created.

Movements in the VCE register in 2015

TABLE 19

	Situation at 31/12/2014	Entries	Retirals	Situation at 31/08/2015
Entities	**344**	**21**	**25**	**340**
Venture capital funds	145	8	7	146
SME venture capital funds	0	5	0	5
Venture capital companies	125	1	15	111
SME venture capital companies	0	4	0	4
VCE management companies	74	3	3	74

Source: CNMV.

VCEs' assets fell by 2.6% in 2014 on a decline in VCCs' assets. In contrast, fund assets increased.

Between December 2013 and December 2014, assets managed by VCEs slipped by 2.57% to 8.48 billion euros. Amid this decline, however, there were mixed performances by different types of entity. VCF assets rose 6.1% while VCC assets fell 9.30% to 4.44 billion euros.

Financial firms cut back investments in VCFs while other investors took over, such as public authorities, sovereign funds and natural persons.

VCFs noted a shift in the weighting of their investor base in 2015. There was a big fall in investment by banks and savings banks, which cut back by 22.7% and 12.6%, respectively, and, to a lesser degree, investment from other Spanish and foreign VCEs (see table 20). Meanwhile, there was a standout 42.8% rise in investments by public authorities. There was also a 116.6% increase by sovereign funds worth noting even if the volumes are very small.

Venture capital entities: Assets by investor group

TABLE 20

	VCFs		VCCs	
Million euros	**2014**	**2015**	**2014**	**2015**
Natural persons				
Residents	252.18	288.68	125.06	133.31
Non-residents	4.63	9.11	2.09	3.75
Legal persons				
Banks	357.30	276.04	1,651.31	1,339.75
Savings banks	110.39	96.48	54.30	26.14
Pension funds	468.03	483.43	21.43	25.12
Insurance corporations	115.63	133.58	25.09	41.08
Broker-dealers and brokers	0.00	0.54	0.11	0.16
Collective investment schemes	31.73	54.65	11.65	18.91
Domestic VCEs	151.84	148.48	82.42	81.17
Foreign VCEs	207.28	195.46	1.38	0.00
Public authorities	396.89	566.87	268.85	269.64
Sovereign funds	47.57	103.04	0.00	0.00
Other financial corporations	252.19	311.31	923.66	951.69
Non-financial corporations	552.32	474.73	1,515.95	1,296.55
Foreign entities	646.18	752.22	80.77	114.19
Others	210.24	141.60	135.62	142.28
TOTAL	**3,804.40**	**4,036.22**	**4,899.69**	**4,443.74**

Source: CNMV.

Banks also cut exposure to VCCs, as did non-financial corporates but other financial entities increased their investments.

VCCs saw a drop in investment from both their biggest investor groups, banks and non-financial corporations, of 18.9% and 14.5%, respectively, in 2014. The third-biggest class of investor by volume (other financial corporations) raised investment by 3% to 951.7 million euros. Investors who most increased their relative share were the insurance companies, up by 63.7%, and CIS, up by 62.3%. Natural persons boosted their weighting in the venture capital sector during 2014 both in VCFs, to 7.3% of all assets, and in VCCs, now 3.1% of the total.

VCE investment fell 41% in 1H 2015 according to preliminary figures from ASCRI…

Preliminary data from ASCRI, the Venture Capital Association, show investment in Spanish VCEs fell by 41% in the first half of 2015 to 726 million euros, mainly due to the absence of major deals set against the four big operations in the first half of 2014. In contrast, the medium- and small-sized deal market was very active. No less than 85% of deals involved investments of less than five million euros in capital to Spanish SMEs in start-up and expansion phases. On the receiving end, the sectors attracting most investment were consumer products, industrial products and services and IT. Divestments continued apace in the first half, totalling 1.86 billion euros in an extension of the trend begun last year. Fundraising, based on provisional figures for the first six months 2015, seem to have totalled 1.19 billion euros, well below the 2.11 billion raised in the same period 2014.

… but the outlook is generally positive due to the strong performance of the Spanish economy and interest from international investors.

Although figures for the sector in the early months of this year are worse than those for 2014, the outlook for venture capital remains broadly positive. Political uncertainties may delay some deals but the bigger factor is the perception of a rapidly recovering Spanish economy. International investors continue to show great interest in Spain, either opening Spanish branches or investing from abroad. Plenty of managers are also in the process of fundraising and a good number of deals are likely to be closed in the second half of 2015, traditionally the busier season. The role played by Fond-ICO Global will also remain key to the sector's future development.

II Reports and analysis

Legislative amendments and novelties introduced by Business Funding Promotion Law 5/2015, of 27 April

María Taillefer Martos (*)

(*) María Taillefer Martos is a member of the CNMV's Legal Affairs Department.

1 Introduction

The purpose of this article is to present the main novelties and modifications introduced in our legislation with respect to the securities market after the approval of Business Funding Promotion Law 5/2015 (Spanish acronym: LFFE) last 27 April.

The LFFE introduces modifications and novelties as to the following securities market issues:

i) For the first time, crowdfunding and crowdlending platforms are regulated and competences are attributed to the CNMV in this regard.

ii) Different aspects of CNMV's competences are broadened, for which the Securities Market Law (Spanish acronym: LMV) had to be amended.

iii) Amendments are introduced to the Companies Law (Spanish acronym: LSC) and other commercial regulations with respect to the issuance of corporate bonds.

iv) The securitisation funds legal scheme is made more flexible, systematic and simple.

v) Other regulatory novelties and modifications.

Along with these modifications, the LFFE introduced the new legal scheme applicable to financial establishments, the authorisation and supervision of which is under the charge of the Bank of Spain, as well as certain measures to favour SMEs bank funding and the penalty system upon failure to comply with Law 12/2012, of 26 December, on urgent measures for the liberalisation of trade and specific services. Even when some of these measures were related to the financial system, they will not be analysed in this article because they do not affect the securities market directly.

As to the article organisation, section 2 reviews the measures adopted in the LFFE with respect to crowdfunding platforms; section 3 refers to the extension of CNMV's competences in different areas; section 4 refers to the modifications introduced into the corporate bonds issuance system; and section 5 refers to the amendment to the securitisation funds legal scheme. Finally, the article includes a section concerning the modifications and novelties contained in the LFFE that apply to the CNMV's scope of action.

2 Crowdfunding platforms

There is no doubt that one of the main LFFE novelties is the first-time regulation of the so-called crowdfunding platforms (Spanish acronym: PFP).[1]

These entities put investors in contact with the promoters of projects demanding funds through the issuance of securities or equity interests or through loan borrowings. The LFFE only regulates the situations in which the financial component of the activity prevails, that is, when the investor expects to receive a monetary compensation for its interest, thus excluding from the sphere of this regulation any crowdfunding implemented through purchase and sale transactions, gifts or non-interest-bearing loans.

The LFFE shall apply to the PFPs performing activities within the national territory. However, the services shall not be deemed rendered within the national territory whenever a Spanish resident may participate, at its own initiative, as investor or promoter in a platform domiciled abroad and rendering services regulated by the LFFE for PFPs. "Own initiative" is defined to clarify the cases in which the LFFE would apply (article 47 of the LFFE).

The new legal text grants exclusive competences to the CNMV to supervise, inspect and penalise this new type of regulated entity, and the participation of the Bank of Spain is established for certain procedures related to projects financed through loans.

Some characteristics of the legal scheme and the activities performed by PFPs are, but not limited to, as described below.

2.1 Reserved activity and CNMV authorisation

The LFFE regulates the activity of crowdfunding platforms, which is reserved to the entities authorised for that purpose. Accordingly, the law sets forth certain requirements for authorisation and registration with the CNMV, which also has the power to impose penalties on those supervised entities. However, the authorisation requires a binding report issued by the Bank of Spain whenever projects were implemented through loans. Authorised PFPs shall be included in the relevant CNMV's official registry. Specifically, the LFFE adds a new special official registry for these entities in article 92 of the LMV (articles 48 and 53 of the LFFE and article 92, item ñ) of the LMV).

The CNMV must advise the Ministry of Economy and Competitiveness on PFP authorisation procedures (article 53.4 of the LFFE).

The CNMV is also the competent authority to adopt decisions related to PFP authorisation revocations, suspensions and applications for revocation of authorisations. They shall be notified to the Ministry of Economy and Competitiveness and, in the case of projects implemented through loans, to the Bank of Spain as well (article 59 of the LFFE).

1 T.N.: Crowdfunding platforms are termed by the LFFE as participative funding platforms.

2.2 Characteristics of crowdfunding projects (article 49 of the LFFE)

The projects published by PFPs shall be: i) aimed at parties expecting to obtain a return on their investment, ii) performed by promoters requesting financing on their own behalf, and iii) geared exclusively to funding a specific business, training or consumption project of the promoter.

Under no circumstances shall they consist in: third-party professional funding or, particularly, the granting of credits or loans; the subscription or acquisition of shares, corporate bonds or other financial instruments admitted for trading in an official secondary market, a multilateral trading system, or equivalent markets in a third country; the subscription or acquisition of shares or equity interests from collective investment institutions (CII) or their management companies, venture capital entities, other collective investment undertakings of the closed-end type and closed CII's management companies.

2.3 Crowdfunding methods

As previously mentioned, the investment in projects published by PFPs may be implemented through: i) the issuance or subscription of corporate bonds, common and preferred shares and other equity securities, provided that no prospectus is required; ii) the issuance of equity interests from limited liability companies; or iii) the borrowing of loans, including participating loans (article 50 of the LFFE).

2.4 Crowdfunding platform services and forbidden activity performance

As to PFPs operating activity, the regulation relies on the goal of ensuring PFP neutrality in their relationship with investors and promoters.

For that purpose, the services to be necessarily rendered by PFPs are clearly described, as well as other services to be rendered by these entities, such as auxiliary services (article 51 of the LFFE). It is also expressly forbidden for PFPs to exercise the activities reserved to investment firms and credit institutions. Specifically, they shall not receive any funds on account of investors or promoters, unless they were meant for payment purposes and the platform has statutory authorisation as a hybrid payment entity regulated by Law 16/2009, of 13 November, on payment services and implementing regulations. They shall not provide any customised recommendations to investors on crowdfunding projects (article 52 of the LFFE). However, the auxiliary service under article 51.2, item b) of the LFFE shall not constitute financial advisory services, which consists in the analysis of projects, the assessment of their level of risk or any other useful variable to make investment decisions, whenever the publication, classification and grouping of such information were performed objectively, without issuing customised recommendations.

Organisation and financial requirements are also established to allow PFPs to perform the activity. As to organisation requirements, there is an obligation to have internal conduct regulations considering and governing potential conflicts of interests, as well as the experience and business and professional repute required from PFP directors, general directors or similar officials (article 55 of the LFFE).

As to financial requirements, the PFPs must have either a minimum capital of 60,000 euros covered by a professional civil liability insurance, surety or equivalent guarantee with minimum coverage, or a combination of the two previous systems providing equivalent coverage. These financial requirements shall increase as funding increases (article 56 of the LFFE).

2.5 Investor protections measures

Participating as investor in projects published by PFPs is deemed a risky investment, as the promoter may be unable to return or compensate the funds received and PFPs do not guarantee the solvency or viability of the promoter. Therefore, upon the impossibility of eliminating the intrinsic risks of these investments, the LFFE provides for a series of measures aimed at least at reducing and controlling them:

i) On the one hand, strict information transparency requirements are set. Specifically, PFPs shall include in their website – in an easily visible, accessible and free manner – the information specified in article 61 of the LFFE, including the following warnings in view of their importance:

 – The various risks entailed in investing in the projects published by the PFP. In particular, it shall be mandatory to warn about the risk of full or partial loss of the investment, the risk of not obtaining the expected monetary return, and the risk of lack of investment liquidity.

 In the projects implemented through the issuance of shares, there must be a warning indicating the risk of interest dilution, the possibility of not receiving any dividends, or being unable to have influence in management; and with respect to the issuance of equity interests, the risk of free transferability restrictions that are inherent to their legal scheme.

 – The PFP is not an investment firm or a credit institution and, therefore, it is not part of any investment guarantee fund or deposit guarantee fund.

 – Projects are not subject to authorisation or supervision by the CNMV or the Bank of Spain, and the information provided by the promoter has not been reviewed by these bodies and does not constitute – in the event of securities issuance – a prospectus approved by the CNMV.

ii) There are also a series of obligations in order to avoid the conflict of interests. Thus, the LFFE requires PFPs to set and apply an effective conflict-of-interest policy to be published in its website (article 62 of the LFFE).

 Special reference is made to the fact that the partners of crowdfunding platforms are actually able to advise investors on the projects published in the platform, provided that they are authorised to render the financial advisory services referred to in article 63.1, item g) of the LMV and that they apply an effective conflict-of-interest policy, while the advisory services prohibition remains for PFP managers, high executives and employees and for the platform itself (article 62.3 of the LFFE).

The conditions for PFPs to participate in the projects published in their websites are also established, as well as the conditions for them to publish projects in which they act as promoters, setting in both cases a quantitative limit of the interest, apart from the obligation to advise investors about this relationship in a clear manner (articles 63.1 and 63.2 of the LFFE). The previous comments shall also apply to the managers, high executives and employees holding a material interest in the PFP, to the spouses, cohabiting partners and family members to the second degree of kinship by blood or by marriage, with respect to the projects in which they are promoters, as published in the websites of their relevant platforms (article 63.3 of the LFFE).

PFPs shall not participate in projects published by other PFPs (article 63.4 of the LFFE).

PFPs may advertise their general professional activity, as well as the specific funding projects, observing LFFE principles, including neutrality and transparency principles (article 64, regarding article 60 of the LFFE).

iii) There are also a series of protective measures aimed at small investors. Thus, a distinction is made between accredited and non-accredited investors, setting investment quantitative limits to the latter. These limits – whose fulfilment is under the charge of PFPs – reach up to 3,000 euros per project published in a PFP, and 10,000 euros in a 12-month period, in projects published by the same platform or in the group of platforms (article 82 of the LFFE).

iv) In addition, there are limits to the number of each promoter's projects in a platform and the maximum amount that can be raised per project. PFPs shall ensure that no promoter has simultaneously published more than one project in a platform; the maximum fundraising amount per project shall not exceed 2,000,000 euros, and it may reach up to 5,000,000 euros when the projects are exclusively aimed at accredited investors (article 68 of the LFFE). Furthermore, the funding purpose shall be set within a fixed period of time; otherwise, the amounts raised shall be returned (article 69 of the LFFE).

v) Finally, as an additional measure for the protection of investors, certain requirements are established regarding investor's information and representations prior to the investment (articles 83 and 84 of the LFFE).

Thus, before participating in a project through a PFP, the non-accredited investor shall receive and accept a specific communication containing the warnings referred to in article 61 of the LFFE, as mentioned in subsection i) of this section.

At the same time, before operating for the first time, PFPs shall require all accredited investors to state that it has been warned that, as it is an accredited investor, it is exposed to more risks and is less protected when investing in a PFP.

Finally, non-accredited investors shall state, before acquiring any payment commitment, along with their consent, that: i) they have been warned about the risks involved in the investment; and ii) considering the transaction performed, their total investment in the last 12 months in projects published by the group of PFPs does not exceed 10,000 euros.

2.6 PFP functions and responsibilities

The functions granted by the LFFE to PFPs are very important, which include acting with diligence upon promoter admittance and their identity verification, as well as upon the diligent assessment of promoters' projects (article 66 of the LFFE).

PFPs must also ensure that the information published in their website is complete, pursuant to the LFFE, and in any case, promoters shall be liable with respect to investors for the information provided in the platform for publication (articles 71 and 73 of the LFFE).

PFPs shall publish the complete, detailed and clear description of the project, as well as the characteristics of loans and securities issuance, depending on the method used to implement the project investment. The LFFE determines the minimum content of the information to be provided regarding both funding types (articles 70 and 74 through 80 of the LFFE).

Finally, as already mentioned, platforms shall guarantee investors and promoters that none of the limits set by the LFFE are exceeded, and that investors are duly warned about investment risks.

2.7 Penalty system (articles 89 through 93 of the LFFE)

The LFFE establishes its own supervision, inspection and penalty system and its infringements and penalties. All other issues not regulated by the LFFE shall be subject to the LMV and its implementing regulations.

The CNMV's supervision, inspection and penalty system shall apply to PFPs and any other person in order to verify whether they infringe upon the reservations on activities and firm names stated in the LFFE, but not to promoters; therefore, in the event of misleading information attributable to the promoter, the Administration shall not apply any penalty, notwithstanding any potential civil or criminal liability by these entities in performing their activities.

A cooperation system is established between the CNMV and the Bank of Spain, especially when the investment in the project has been implemented through loans.

The CNMV shall advise the Ministry of Economy and Competitiveness about any agreements on compilation, procedural measures and definitive measures in penalty procedures and it shall obtain reports from the Bank of Spain before imposing any penalties on the platforms publishing projects financed through loans.

3 New CNMV competences

The LFFE grants the following new competences to the CNMV:

i) On the one hand, it provides competences to the CNMV that, until now, had been performed by the Ministry of Economy and Competitiveness; therefore, it acquires more independence in acting as securities market supervisor. Particularly, the following competences are transferred to the CNMV:

- Challenging the acquisition of a material interest in the capital of companies managing official secondary markets (article 31.6 of the LMV).

- The authorisation of official secondary markets (article 31 *bis*.1 of the LMV) and, particularly, stock exchanges (article 45 of the LMV).

- Revoking the authorisation granted to an official secondary market (article 31 *bis*.4 of the LMV).

- Authorising the replacement of a company managing an official secondary market (article 31 *quater*.2 of the LMV).

- Denying or restricting the access to Spanish markets, as members, by investment firms and credit institutions authorised in a non-European Union Member State (article 37.2, item d) of the LMV).

- Challenging the acquisition or transfer of a material interest in the capital of Sociedad de Sistemas (article 44 *bis*.3 of the LMV).[2]

- Authorising central securities depositories (article 44 *bis*.11 of the LMV).[3]

- Authorising the creation of investment firms (article 66.1 of the LMV), denying such authorisation (article 67.1 of the LMV) and approving the modifications of services initially authorised to these entities (article 68.2 of the LMV).

- Adopting the measures established in article 69.11 of the LMV against those holding a material interest in an investment firm.

- Revoking the authorisation granted to investment firms (article 74 of the LMV).

- Imposing very serious penalties (article 97.1 of the LMV).

---

2 Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms has amended article 44 *bis* of the LMV. This CNMV competence is comprised in the new article 44 *bis*.2, third paragraph, not yet effective, and refers to central securities depositories in general and not to Sociedad de Sistemas.

3 After the modification of article 44 *bis* by Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms, subsection 11 thereunder disappeared and the CNMV's competence to authorise central securities depositories became part of article 44 *bis*.1, second paragraph, not yet effective.

Albeit these competences are transferred to the CNMV, the latter shall advise the Ministry of Economy and Competitiveness about the different authorisation procedures commenced, as well as the decisions adopted regarding the abovementioned competences delegated to the CNMV.

ii) From the regulatory point of view, the CNMV is empowered to: i) prepare technical guidelines setting the criteria, practices, methodologies or procedures deemed appropriate to comply with securities market regulations; and ii) adopt and develop, supplement or adapt the guidelines approved by active international bodies with respect to stock exchange regulation and supervision. These guidelines are not binding for supervised entities; however, upon failure to comply with the guidelines, the CNMV may demand a justification (article 15.3 of the LMV).

iii) In addition, the CNMV is empowered to call for staff recruiting processes to cover vacant positions approved in its operation and capital budget regardless of government job offers (article 14.7 of the LMV).

iv) The LFFE grants new supervision tools to the CNMV.

Thus, the CNMV may require, in performing its supervision tasks and as deemed necessary, the cooperation of auditors, consultants and other independent experts and make use of the background of such cooperation (article 85.9, first paragraph, of the LMV).

The CNMV is also empowered to perform supervision tasks through mystery shopping, a tool allowing CNMV staff to verify the regulatory compliance by supervised entities, especially with respect to the marketing of financial products, without disclosing their identity as employees of such body (article 85.2, item ñ) of the LMV). To carry out those activities, the CNMV may also request the cooperation of experts through the issuance of reports. Experts may act anonymously, without disclosing that they are acting on behalf of the CNMV (articles 85.1, item a), and 85.9, second paragraph, of the LMV).

v) Finally, the CNMV is empowered to disclose the commencement of penalty files, reasonably weighing public interest and the damage that such publication may cause to infringing parties (article 98.5 of the LMV).

4 Amendments to the corporate bond issuance system

The LFFE amends the corporate bond issuance system under the LSC and other commercial regulations in order to enable funding through the issuance of corporate fixed-income securities.

The changes introduced are:

i) On the one hand, certain corporate bond issuance limits or prohibitions are eliminated:

– The prohibition imposed upon limited companies and partnerships limited by shares to issue corporate bonds beyond their own resources is eliminated (article 401 of the LSC).

– The prohibition imposed upon limited liability companies to issue their corporate bonds is eliminated; however, a series of protective measures are established to prevent excessive indebtedness (for that purpose, article 402 of the LSC is abrogated).

  Specifically, it is established that the total amount of securities issued by limited liability companies shall not exceed twice their own resources, unless the issuance is secured by a mortgage, a pledge on securities, a public guarantee or the joint and several guarantee of a credit institution. These types of entities shall not issue or guarantee corporate bonds convertible into equity interests either (article 401 of the LSC).

– In all cases, the requirement to create a corporate bondholders' syndicate is eliminated, which was mandatory until now for issuer companies based in Spain, and it is limited to the cases indicated by special applicable legislation (article 403 of the LSC).[4]

– The obligation to register the corporate bond issuance with the Mercantile Register is eliminated on a general basis (new text of article 407 of the LSC).

– The obligation to publish the corporate bond issuance in the Mercantile Register Official Journal is eliminated (article 408 of the LSC is thus abrogated).

– The legal priority system applicable to corporate bonds is eliminated through the abrogation of article 410 of the LSC.

ii) The issuance of corporate bonds abroad by a Spanish company is regulated by establishing the legal scheme applicable to this type of issuance. Thus, Spanish legislation shall determine the capacity, competent body and conditions to adopt the issuance agreement, while the law governing the issuance shall set the rights of corporate bondholders with respect to the issuer, collective organisation methods and the system applicable to the reimbursement and amortisation of corporate bonds. In the case of convertible corporate bonds, conversion right contents may be regulated by foreign law, always within the limits established by the Spanish company as the law governing the company. The Spanish law shall determine the value at which corporate bonds may be issued, conversion limits and the exclusion system applicable to the preferential subscription right (article 405 of the LMV).

iii) Unless otherwise stated in by-laws, the board of directors is attributed the competence to agree upon the issuance and admittance for trading of corporate bonds, and to grant guarantees for the issuance of corporate bonds.

4 See subsection ii), section 6.

However, the general shareholders' meeting shall be the body in charge of agreeing upon the issuance of corporate bonds convertible into shares or corporate bonds entitling their holders to profit sharing (article 406 of the LSC).

iv) Certain aspects of the legal scheme and performance of the corporate bondholders' syndicate are amended. Thus, no minimum quorum is required at the corporate bondholders' meeting (article 425 of the LSC); the agreements shall be reached at corporate bondholders' meeting by absolute majority, except for term modifications or conditions for nominal value reimbursement, conversion or exchange, which shall require the favourable vote of two thirds of outstanding corporate bonds (article 425 of the LSC); the commissioner, not the corporate bondholders' meeting, shall establish the syndicate internal regulations (article 421 of the LSC); and corporate bondholders' right to vote and attend the meeting is regulated (new articles 424 *bis* and 424 *ter* of the LSC).

v) Within the sphere of cooperatives, the competence to agree upon the issuance of corporate bonds and other funding methods through the issuance of marketable securities is now vested in the governing body, unless otherwise stated in corporate by-laws (articles 21.1, item e), 32.1 and 54.1 of Cooperatives Law 27/1999, of 16 July).

vi) Finally, Law 211/1964, of 24 December, which regulates the issuance of corporate bonds by companies who have not adopted the status of limited companies, associations or other artificial persons and the creation of the corporate bondholders' syndicate, is abrogated; and the legal scheme applicable to the corporate bonds belonging to companies other than capital companies, associations and other artificial persons is now established in the fifth additional provision of the LFFE.

5 Securitisation funds

A new legal scheme is established to govern securitisation funds in order to modernise, simplify and revitalise these funding instruments. The most significant novelties introduced by the LFFE are:

i) All regulations applicable to securitisation funds – which until now were segregated into various regulations – are consolidated and systematised, thus, providing increased clarity and legal security to the regulatory framework. This new regulation abrogates the previous one on this matter; specifically, articles 5, 6 and 7 of Law 19/1992, of 7 July, governing the system applicable to companies and real estate investment funds and mortgage securitisation funds, are abrogated, except for the mortgage securitisation funds created before the LFFE was approved; Royal Decree 926/1998, of 14 May, regulating asset securitisation funds and companies managing securitisation funds; article 16 of Royal Decree-Law 3/1993, of 26 February, on urgent budget, tax, financial and employment measures; subsections 2 through 5 of the fifth additional provision under Law 3/1994, of 14 April, whereby Spanish legislation on credit institutions is adapted to the Second Banking Coordination Directive, and other financial system amendments are introduced; and article 97 of Law 62/2003, of 30 December on tax, administrative and social measures (LFFE repeal provision).

ii) To so-called asset securitisation funds and mortgage securitisation funds are consolidated into a single legal category. However, a temporary system is established for mortgage securitisation funds existing on the LFFE effective date, which shall coexist with the new asset securitisation funds until they are progressively extinguished (seventh temporary provision of the LFFE).

iii) The credit rights forming part of the assignor's assets may be incorporated into the assets of a securitisation fund, including mortgage interests and mortgage transfer certificates, as well as future credit rights constituting known or estimated revenues or collections, the transfer of which shall be formalised by virtue of a contract in order to prove ownership assignment in an unequivocal and satisfactory manner (article 16.2 of the LFFE). The CNMV is delegated the competence to determine, through a circular, the rights that may qualify as credit rights (article 16.1 of the LFFE), which was a competence of the Ministry of Economy and Competitiveness up to now.

iv) The performance of these instruments is simplified and made more flexible. For instance:

- The possibility of dividing securitisation funds into independent compartments is expressly regulated, into which securities may be issued or different types of obligations may be assumed, to be liquidated independently, which until now had been done in practice based on the interpretation of general rules on civil law. The portion of fund equity allocated to each compartment shall exclusively bear the costs, expenses and obligations expressly attributed to such compartment, and the creditors of one compartment may only enforce their credits against the equity thereof (article 15.2 of the LFFE).

  Upon creating the fund, the transferor and the issuer of the securities created to be incorporated into a securitisation fund shall have their accounts audited for at least the last two fiscal years, and not three, as required by previous applicable regulations. However, the CNMV may eliminate the previous requirement or claim audited accounts for a shorter period when the transferring entity has been incorporated recently. The LFFE also provides for exemption from this obligation in certain cases (article 17, item a) of the LFFE).

- As to securitisation fund liabilities, certain requirements are eliminated, such as the obligation to trade the securities issued in an official secondary market, as well as the obligation for a rating agency to assess the financial risk of the securities issued to be charged to the fund (article 18 of the LFFE).

- A distinction continues to be made between closed and open funds. As to the latter, they may be modified through the so-called "active management" by the fund manager, which must appear in the fund set-up deed and allows modifying the equity elements of fund assets in order to maximise profits, guarantee the quality of assets, manage risk properly or keep the conditions established in the set-up deed (article 21.1 of the LFFE).

– The registration with the Mercantile Register shall apply to all funds and the obligation to lodge annual accounts with the Mercantile Register is eliminated; however, the latter shall be filed with the CNMV (article 22.5 of the LFFE).

v) As to securitisation fund managing companies:

– The activity of securitisation fund managing companies (Spanish acronym: SGFT) is restricted, which shall be aimed at the creation, management and legal representation of securitisation funds and bank asset funds under the terms of Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions, and their obligations in performing such activity are specified (articles 25 and 26 of the LFFE).

– The competence to authorise the creation of these entities is delegated from the Ministry of Economy and Competitiveness to the CNMV, and the principle that no reply equals a positive response is established if six months have elapsed from the receipt of authorisation or its completion and the CNMV has not issued any express resolution in that regard. Once incorporated, the SGFTs shall register with the Mercantile Register and the relevant CNMV registry (article 27 of the LFFE).

– The minimum capital requirement is increased from 150 million pesetas to one million euros, and the minimum number of board of directors' members changes from five to three (article 29 of the LFFE).

– SGFT organisation requirements are strengthened in line with the regulations applicable to the other entities participating in the securities market, such as investment firms and the companies managing collective investment institutions. Thus, there is an obligation to set up a unit for regulatory compliance, risk control and internal audit, with the appropriate segregation of operating units. Similarly, additional requirements are established for the control of risks in SGFTs performing active management, with the obligation to create a special committee to supervise this activity (article 30 of the LFFE).

– Transparency and investors' protection requirements are significantly improved, including the obligation for SGFTs to publish certain information on their websites (prospectus preparation deed, issuance prospectus and annual and quarterly reports for each fund subject to their management) (article 34 of the LFFE). Similarly, it is now required to prepare an annual report and quarterly reports, whose contents are laid down in the LFFE, to be submitted to the CNMV for inclusion in the relevant registry (article 35 of the LFFE). There is also an obligation in the case of securities admitted for trading in an official secondary market to disclose important events both to the CNMV and to creditors (article 36 of the LFFE). Finally, there is a possibility to organise a creditors' meeting to act as regulated in the organisation deed; all issues not governed thereby shall be subject to the regulations applicable to the corporate bondholders' syndicate under the LSC (article 37 of the LFFE).

vi) Supervision and penalty system (articles 38 through 42 of the LFFE).

The CNMV's supervision and penalty system is applicable to: i) the companies managing securitisation funds and the securitisation funds that they manage; and ii) the entities assigning assets to securitisation funds and the issuers of assets created to be incorporated into a securitisation fund, as well as the managers of assigned assets.

The LFFE establishes penalty payments of up to 12,000 euros per day in order to cause the obliged parties either to cooperate with the CNMV in their supervision tasks or to comply with the precautionary measures adopted in each case. An own infringement catalogue is also established. All supervision and penalty issues not governed by the LFFE shall continue to be subject to the Collective Investment Institutions Law.

6 Other legislative amendments and novelties

Below are other significant modifications and novelties introduced by the LFFE into the LMV:

i) Article 30 *ter* of the LMV: The contents of articles 30 *ter* and 30 *quater* of the LMV are consolidated into this article; the first one regulates the issuance of all corporate bonds and other securities that acknowledge a debt and have been admitted for trading in an official secondary market or a multilateral trading market, or which are the subject matter of a public offering for the sale of shares requiring a prospectus approved by the CNMV.

ii) Article 30 *quater* of the LMV: Article 30 *quater* of the LMV now regulates the application sphere of the corporate bondholders' syndicate. Chapter IV, Title XI, of the LMV – regulating the corporate bondholders' syndicate – shall apply to the issuance of corporate bonds and other securities that acknowledge or create a debt and that qualify as a subscription public offering whenever the two following conditions are jointly met:

– Their conditions must be governed by the legal framework of Spain or of a state that is not a European Union or OECD member.

– They must take place within the Spanish territory or their admittance for trading must occur in an official secondary market or a multilateral trading system based in Spain.

iii) Article 32.2 of the LMV: The requirements applicable to the access to trading in an official secondary market from a multilateral trading system are established.

- On the one hand, in order to enable access from one market to another, the entities listed in multilateral trading systems and passing to an official secondary market are exempted from the fulfilment of certain transparency requirements for up to two years. Specifically, these entities shall not be required to publish or disclose the second semi-annual financial report under article 35.2, second paragraph, of the LMV, or the intermediate management statement referred to in article 35.3 of the LMV.

- There is also an obligation to pass from a multilateral trading system to an official secondary market whenever the capitalisation of a company's shares listed exclusively in the first one exceeds 500 million euros for a continuous period of over six months.

  With respect to the companies whose shares – upon the effective date of the LFFE – are exclusively traded in a multilateral trading system and reach a market capitalisation of over 500 million euros, the six-month term shall commence as from the effective date of the LFFE, i.e. as from 29 April 2015 (ninth temporary provision).

iv) The following new official registries are incorporated at the CNMV:

- Companies passing from a multilateral trading system to an official secondary market, as per article 32.2 of the LMV (article 92, item g) *bis* of the LMV).

- Crowdfunding platforms (article 92, item ñ) of the LMV).

- Securitisation funds (article 92, item o) of the LMV).

v) Multilateral trading systems (articles 120 through 122 of the LMV).

In order to increase investors' protection, new reporting and transparency requirements are included and more clarity is provided as to the responsibility of the different market players.

The position of registered advisor is introduced for legal purposes, which already exists in the internal regulation of the Alternative Stock Exchange, to ensure, as appropriate, that issuers meet their reporting duties correctly, whose functions shall be regulated in the multilateral trading system regulations.

A periodic control is established over the supervisory function of the entities managing these markets, requiring these entities to provide the CNMV with quarterly information on the practices and actions performed for the purpose of multilateral trading system supervision.

Finally, two new types of penalties are introduced with respect to failure to comply with the different obligations of the players of these markets, specifically the members, issuers, registered advisors and any other entity involved therein (article 99, item c) *quinquies*, and article 100, item a) *ter* of the LMV).

Law 16/2014, of 30 September, which regulates CNMV fees, is amended in order to adapt them to Law 22/2014, of 12 November, regulating venture capital entities, other collective investment undertakings of the closed-end type and closed CII's management companies, and amending Collective Investment Institutions Law 35/2003, of 4 November; and to include the fees applicable to crowdfunding platforms.

Finally, it is necessary to highlight that the sixth additional provision of the LFFE empowers the Government to implement measures within six months to improve the current institutional system for the protection of customers and to enhance the efficacy of the current claim public services and entities' customer ombudsmen and customer care services. As part of these measures, the Government shall evaluate whether it is advisable to consolidate the claim services of the Bank of Spain, the CNMV and the General Insurance and Pension Fund Department.

Accounting frameworks applicable to the derecognition of securitised assets from balance sheets: IASB vs. FASB

María del Rosario Martín Martín (*)

(*) María del Rosario Martín Martín is a member of the CNMV's Collective Investment Institutions and Venture Capital Entities Supervision Department.

1 Introduction

The possibility of taking an asset that would otherwise need to remain on the balance sheet until a given maturity date and turning it into a liquid asset is what makes securitisation so appealing to financial institutions. These types of transactions bring new momentum to bank credit management, as they provide a way of letting go of certain assets, managing deleveraging processes in an orderly manner or sharing credit risk with a broad range of professional investors. Moreover, the impact of these kinds of transactions on the financial statements of securitised entities and on operating ratios – some of them mandatory after Basel III came into force – makes it easier to correct loss-making operations and clean up balance sheets at key moments.

Consequently, the accounting standards establishing the assumptions whereby a securitised asset may be derecognised from the transferring entity's balance sheet become especially significant, as they determine how and to what extent the users of the standard will be able to achieve the previously mentioned objectives.

In the world of securitisation, the accounting treatment of the sales of assets is especially difficult given that they are highly complex transactions, which combine multiple products and financial structures. Furthermore, the way in which the bodies in charge of preparing accounting standards address this issue can be influenced by the characteristics of the local financial markets.

The fact that there are legislative asymmetries in the different economic areas means that structures that are the same from an economic and financial point of view appear to be receiving different treatments. Consequently, certain financial institutions would be penalised due to the location of their registered office, which could lead to these activities moving to jurisdictions where they receive more favourable treatment.

Academic literature on the effects that the accounting framework has on securitisation is scarce and fails to cover the period of economic growth of the first half of the past decade, as well as the ensuing crisis period, both of key importance in the recent development of securitisation.[1] This is in spite of the fact that international institutions have noted, on several occasions, the lack of consistency between the main accounting frameworks, particularly between the International Financial Reporting Standards (IFRS), developed by the International Accounting Standards

1 Unless we are mistaken, the only paper published that compares both accounting frameworks with regard to securitisation was authored by Adhikari, A. and Betancourt, L. (2008). "Accounting for Securitizations: A Comparison of SFAS 140 and IASB 39", in *Journal of International Financial Management & Accounting*, vol. 19, No. 1, pp. 73-105.

Board (IASB) and used by European companies, and the standards of the Financial Accounting Standards Board (FASB), known as Financial Accounting Standards (FAS) and applied by US companies.

So, for example, the Joint Forum in 2008 and 2009 noted that it was easier to derecognise assets from the balance sheet under US GAAP, in comparison to the standards used in Europe.[2] Specifically, it indicated that while a third of the assets involved in US securitisation transactions remained recorded on the balance sheet, in European transactions the percentage exceeded 60%.

Due to the financial crisis, on several occasions the G20 countries recommended that international accounting institutions step up their efforts to achieve a single set of globally applicable accounting standards.[3]

Currently, the central banks and governments are becoming increasingly interested in recovering securitisation as a mechanism for financing the economy. Along these lines, institutions such as the European Central Bank, the Bank of England or the International Organization of Securities Commissions (IOSCO) have recently prepared discussion documents with the purpose of gathering the opinions of all stakeholders, so as to identify possible obstacles to developing this type of financing and thus be able to take the necessary measures to lay down a sustainable groundwork for securitisation.[4] The European Commission also conducted a consultation process during the first quarter of this year to develop an appropriate regulatory framework at European level that would facilitate the implementation of a simple, transparent and standardised securitisation model.[5] The latest body to publish guidelines to encourage European financial institutions to use securitisations with these characteristics, and which would be subject to alternative regulatory treatment, has been the European Banking Authority (EBA).[6]

However, one of the least-studied fields, and which could be affecting the incentive for financial institutions to embark upon securitisation transactions is, precisely, the accounting framework applicable to transferred assets.

This paper analyses the accounting framework applied to securitisation during the past ten years in the European Union and the United States. Its purpose is to verify if there have been, and if there still are, substantial differences that may have repercussions on how willing originators are to undertake these types of transactions. The article is a preview of the research conducted by the author on this matter,

---

2 Joint Forum (2008). *Credit Risk Transfer*, and Joint Forum (2009). *Special Purpose Entities*. Available at http://www.bis.org/list/jforum/page_2.htm.

3 Summits in Washington (November 2008), London (April 2009) and Pittsburgh (September 2009).

4 Bank of England and European Central Bank (2014).*The case for a better functioning securitisation market in the European Union*. IOSCO (2014). *Questionnaire to market participants on developments in securitisation markets*. These documents are available on the websites of these institutions.

5 European Commission (2015). *Consultation document: An EU framework for simple, transparent and standardised securitisation.*

6 On the date this paper was drafted, the EBA was planning on publicly presenting these guidelines on 26 June 2015.

which incorporates a quantitative analysis to assess the importance of the accounting treatment of securitisation for financial institutions.

The article is organised as follows. Section 2 will cover the accounting standards applicable to the derecognition of securitised assets in Europe since 2005. Section 3 addresses the accounting framework in effect during the same period in the United States. Section 4 identifies the differences between both accounting frameworks. The article comes to an end with a section of conclusions.

2 European accounting standards applicable to the derecognition of securitised assets

There are two fundamental aspects that European originators must take into consideration when accounting for a securitisation transaction. First of all, they must determine whether the vehicle used to transfer the assets is to be included within the consolidation scope. Secondly, they must analyse whether, as a result of the transaction, the transferred assets may or may not be written off the balance sheet.

The accounting standards that have dealt with these two aspects during the period in question in this paper are:

– IAS 27: Consolidated and Separate Financial Statements, together with Interpretation SIC 12, both superseded in 2011 by IFRS 10: Consolidated Financial Statements.

– IAS 39: Financial Instruments: Recognition and Measurement.

– IFRS 7: Financial Instruments: Disclosures.

This section includes an in-depth review of the content of all of these accounting standards.

2.1 IAS 27, interpretation SIC 12 and the transition to IFRS 10

IAS 27 established that when preparing and presenting consolidated financial statements, entities had to include all companies under the control of a given entity. Control was presumed to exist where an entity owned, directly or indirectly through subsidiaries, more than half of the voting power of another entity.

Control was also considered to exist where an entity, without holding the majority of voting rights:

– Would have entered into agreements with other shareholders to reach a voting consensus.

– Would have been in a position to govern the strategic policies under legal provisions, a statute or shareholder agreement.

- Had the power to appoint or remove the majority of the members of the governing body of the controlled entity.

- Had the power to cast the majority of votes at meetings of the governing body of the controlled entity.

In spite of the fact that, in theory, the legal nature and operating mechanism of securitisation vehicles keeps them away from their originators, in practice the operation of these vehicles is closely linked to them through a share in the profits or by imposing restrictions on the vehicle to freely transfer the transferred assets to third parties not related to the transaction, among other possibilities.

Being aware of this situation, in November 1998 the IASB issued an interpretation, SIC 12, in which it listed other circumstances that could indicate the presence of control by an entity in spite of that entity not holding any interests:

- The vehicle's activities are conducted, essentially, to benefit the consolidating entity.

- The consolidating entity has the necessary decision-making powers to obtain the majority of the income or other advantages of the vehicle's activities.

- In addition to having a right to the income, the entity may be exposed to the risks affecting the vehicle's business activities.

- The consolidating entity is retaining, in essence, the majority of the risks inherent to ownership of the vehicle, its assets or its residual values, to obtain the income from its activities.

As a result of the role played by financial vehicles – largely those involved in securitisation transactions – in the financial crisis that began in 2007, the leaders of the G20 urged the bodies in charge of preparing accounting standards, mainly the IASB and the FASB, to review the accounting treatment and public disclosure requirements applicable to these instrumental vehicles.[7] Specifically, the IASB and the FASB agreed to develop common consolidation standards. As part of the IFRS, those standards took shape in the form of IFRS 10, which was published in May 2010 and came into force in January 2013.

With IFRS 10, the accounting standard evolved towards a treatment focusing on the control of the assets and liabilities, rather than the vehicle itself. Thus, since then, an entity is considered to control another, only, and only if, it meets these three conditions:

- It has power over the investee.

- It is exposed or is entitled to obtain variable returns as a result of its continuing involvement.

7 The G20 Summit held in Washington in November 2008.

– It has the ability to use its power over the investee to affect the amount of its own returns.

The power of an entity over its investee is assessed by the extent to which the former has the ability, whether exercised or not, to direct the activities of the latter. This can take form in the traditional way of holding voting rights in the governing bodies or, perhaps more vaguely, in the provisions of the contracts governing the vehicle's business activities. In the process of assessing control, it is important to examine the risks the investee is expected to bear and those that are expected to be transferred to the entities involved in it (for instance, through credit enhancements), as well as whether the investors (in this case, those who acquire securities issued by the securitisation vehicle) are exposed to any or all of the risks. In addition, the entity should be exposed to both returns and losses, as a result of its continuing involvement in the investee and its ability to affect them through its power over the investee.

2.2 IAS 39

IAS 39 outlines the criteria under which an entity should recognise or derecognise financial assets or liabilities in or from its financial statements.[8] This accounting standard, in spite of being the subject of recurring discussions between the IASB and users, has undergone very few changes between 2005 and the present day.[9]

One of the first aspects that an entity must take into account is whether the derecognition will be applied to all or part of a financial asset (or group of similar financial assets). There are two circumstances that would make a possible derecognition appropriate: i) the contractual rights to the cash flows from the financial asset expire and ii) the financial asset is transferred according to the requirements set out in the standard mentioned below.

A transfer is deemed to have taken place in the following two cases:

– Where the contractual rights to receive the cash flows of an asset have been transferred.

– Where an entity, retaining those rights, assumes a contractual obligation to pay the cash flows from the asset in question to third parties.

In the latter case, the entity will treat the transaction as though it were a transfer only under the following conditions:

– The entity has no obligation to pay any amounts, unless it collects equivalent amounts from the original asset.

– The entity is prohibited from selling or pledging the original asset, other than as security for payment of the committed cash flows.

8 Paragraphs 15 through 37 address derecognition of a financial asset from the balance sheet.

9 IAS 39 will be superseded by IFRS 9 in 2017.

– The entity has an obligation to remit any amount it collects on behalf of the potential recipients without material delay.

In addition to the assets' collection rights being actually transferred, the entities must evaluate to what extent they retain the risks and rewards of ownership of those assets. To do so, they must compare their exposure prior to and after the transfer, taking into account, specifically, the impact of the phase lags that may arise in the schedule of cash flows associated with the transferred assets. If it is no longer substantial, then the entity is considered to have substantially transferred the risks and rewards associated with the transferred asset. Otherwise, – that is, if this exposure has not changed substantially – the entity will be considered to have retained the risks and rewards of ownership of the financial asset. With securitisations, when verifying this requirement, it is important to take into account the effect of early amortisations and unpaid amounts on the transferring entity, especially if there are commitments by the latter to cover or mitigate their impact on the schedule of income and payments of the securitisation vehicle. A defining element in knowing the ultimate relationship of the transferring entity with the transferred asset is the transferee's ability to sell that asset. If the vehicle which has received the asset or group of assets has the ability (through its managing company) to sell it to a third party who is not related to any of the agents involved in the securitisation transaction, and is able to exercise that ability unilaterally, without any additional restrictions to that transfer, the transferring entity will not be deemed to have retained control of the asset and may remove it from its balance sheet.

What may happen during the transfer is that the transferring entity derecognises the assets in their entirety from its balance sheet, that it derecognises the assets but recognises the rights (or obligations) created or retained by the transferring entity as assets (or liabilities), or that it maintains the assets in full on its balance sheet.

If the situations required for derecognising a transferred asset from the balance sheet are not present, the entity must continue to recognise them in their entirety and shall record a financial liability for the consideration received. In subsequent years, the entity shall be required to record the income and expenses incurred by that asset and that liability.

In general, in order to derecognise financial assets from financial statements, IAS 39 applies an evaluation system that combines the requirements of retaining risks and rewards along with control over the asset. To avoid any confusion in using this system, IAS 39 is clear with regard to the order in which the tests are to be applied: firstly, the retention of risks and rewards will be taken into account, and subsequently, if the entity has not retained them and has not substantially transferred them either, the asset control test is to be applied.

2.3 IFRS 7: Financial instruments: disclosures

This accounting standard refers to the information that the transferring entities are required to disclose in securitisation transactions. IFRS 7 application began on 1 January 2007. According to this standard, entities who transferred assets without derecognising them from the balance sheet were required to include the following information in their financial statements:

- The nature of the assets.

- The nature of the risks and rewards to which the entity remained exposed.

- When the entity continues to recognise the assets, the carrying amount of the transferred assets and of the associated liabilities.

- When the entity continues to recognise the assets to the extent of its continuing involvement, the carrying amount of the original assets, the amount of the exposure that the entity would have retained after the transfer and the carrying amount of associated liabilities.

The amendment to IFRS 7, published in October 2010, took place as part of the reforms promoted by the international agencies after the financial crisis began in 2007. One of the weaknesses identified in securitisations in the period prior to the crisis was the scant information offered to the market by originating entities, a situation that was largely blamed for the uncertainty created in the markets during the early years of the crisis.

By reviewing IFRS 7, the aim was to ensure that users of the financial information prepared by the securitising entities would understand the relationship between the transferred assets that were maintained on the balance sheet and the associated liabilities, as well as, in the case of the derecognised assets, the nature of the continuing involvement, if any, and the associated risks being assumed by the entity.

Disclosure requirements for assets that had been transferred but not fully derecognised from the balance sheet increased from four to six. The new aspects the securitising entity is required to disclose, in addition to the ones that had been mentioned previously, include:

- A description of the nature of the relationship between the transferred assets and associated liabilities, and of the restrictions entailed in the transfer with regard to the reporting entity's possibility of using the transferred assets.

- When the counter-parties of associated liabilities are only secured by the transferred assets, a table is to be drawn up stating the fair value of the transferred assets, the fair value of associated liabilities and the net position (that is, the difference between the fair value of the transferred assets and that of the associated liabilities).

Information was also added with regard to assets removed from the balance sheet but in regard to which an entity maintained continuing involvement. Some of the new elements on which an entity is required to report, include the following:

- The carrying amount of the assets and liabilities representing the entity's continuing involvement in the financial assets derecognised from the balance sheet, and the accounts in which the carrying amounts of those assets and liabilities are recognised.

– The fair value of the assets and liabilities representing the continuing involvement.

– The amount best representing the maximum level of the entity's exposure to the losses resulting from its continuing involvement and how the calculation was made.

Furthermore, for each type of continuing involvement, the following disclosures are to be made:

– The loss or profit recognised on the asset transfer date.

– The income and expenses recognised for this year and the aggregate amount to the asset transfer date, resulting from the continuing involvement.

– If the total of the amounts received as a result of the transfer (which meets the requirements for derecognition) in the reporting year is not evenly distributed throughout that year, the entity will have to report on: i) when most of the transfers took place, ii) the losses and earnings obtained as a result of the transfers in that period, and iii) the total amounts received.

The entity may also include any type of information it may consider relevant for users of financial statements to understand the securitisation transactions it has engaged in, as well as the level of remaining exposure it has assumed as a result thereof.

3 US accounting standards applicable to the derecognition of securitised assets

As in the European regulatory framework, the treatment of securitised assets under US accounting law is based on two fundamental issues:

– Evaluating whether through securitisation the assets have been sold.

– Determining whether the vehicle used should be consolidated by the originator.

Unlike European standards, which have not undergone substantial changes in the period addressed in this paper, US standards were subjected to thorough review in 2009. Chronologically, there are two periods subject to different accounting standards:

– Between 2005 and 2009 the relevant accounting standards included FAS 140: Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, and FASB Interpretation No. 46: Consolidation of Variable Interest Entities (FIN 46R).

– After 2010, the applicable standard was FAS 166: Accounting for Transfers of Financial Assets – an amendment to FAS 140, currently included in ASC (Accounting Standards Codification) 860 – and FAS 167: Amendment to FASB Interpretation No. 46R, currently included in ASC 810.

3.1 FAS 140: Accounting for transfers and servicing of financial assets and extinguishments of liabilities

The number of guidelines issued by the US institution for derecognising securitised assets from the balance sheet was small in comparison to those published by its European counterpart; however, FAS 140 contained a lengthy section on the practical application of those derecognitions.

Paragraph 9 of the standard established the criteria for considering the transfer of financial assets a sale, specifically:

– Transferring control over the assets.

– Receiving compensation in the form of money or other type of income. Obtaining economic interests associated with the transferred assets is not considered income for the purposes of evaluating whether a sale has taken place.

Control of the underlying assets was considered to have been transferred if all of the following conditions were met:

– Legal isolation. The asset, once transferred, was beyond the reach of the transferor, any of the companies belonging to its group of companies and their creditors, even in bankruptcy or other receivership.

– The ability of the vehicle holding the assets to pledge or resell them. Any restriction applied to the buyer of the assets with regard to the monetisation of its investment should be carefully evaluated to conclude whether the transaction was an actual sale.

– Transfer of effective control. The transferor could not maintain control over the assets nor maintain agreements that would obligate the transferor to repurchase or redeem them before their maturity or give it the ability to claim those assets from the vehicle. FAS 140 considered that the transferor maintained control over the transferred assets if it had the ability to unilaterally decide to repurchase certain assets under conditions that were detrimental to the holder, whether by liquidating the vehicle, through a call, a deferred purchase agreement or otherwise. As in European standards, it only recognised the possibility of establishing clean-up call provisions for the early liquidation of the vehicles if the outstanding amount of the underlying assets were to drop below determinable levels.

If a transaction met the criteria for considering it a sale of assets, the transferor would:

– Derecognise the assets from its balance sheet.

– Recognise, at fair value, all assets and liabilities associated with the transaction, such as the cash received, security provided by the transferor and future obligations, for instance, commitments to supply new asset packages in open structures, credit enhancements such as interest rate swaps, or the administration of transferred assets.

– Recognise the profit or loss resulting from the sale of the assets.

If, on the other hand, the securitisation did not qualify as a sale, the income earned had to be recorded as a secured loan, and no profit or loss was recorded as a result of the transaction and the assets remained on the balance sheet. These assets had to be recorded separately from other assets that had not been committed, along with the restrictions related to their condition as collateral of the secured loan.

FAS 140 contemplated a concept that was essential in US securitisations: qualified special purpose vehicles (QSPE). QSPEs were vehicles that were essentially liabilities: they did not purchase assets on the market and their activities were limited to merely holding transferred assets.

The first feature a vehicle was required to have in order to be considered a QSPE was that of being an entity that was separate from the transferor. To prove it was a separate entity, they had to show that the decision to dissolve the vehicle could not be made unilaterally by the originator or any of its subsidiaries.

Additionally, QSPEs were required to meet at least one of the following conditions:

– Activities that were limited and entirely specified in the legal documents executed upon creation of the vehicle. Any changes in activities required the consent of at least the majority of the holders of the economic rewards. In the case of some securitisations, the transferor and its subsidiaries were excluded from these votes.

– Assets that they could acquire:

  • Financial assets that would not need active management; that is to say, holding such assets would not require decisions other than those involving the servicing of the economic rights associated with them.

  • Financial derivatives involving passive management that would generate economic rewards for third parties (other than the transferor or any of its subsidiaries).

  • Financial assets such as guarantees or reimbursement rights for breaching agreements executed with the providers of credit enhancements or financial services.

  • Rights related to the financial servicing of the assets owned by the vehicle.

  • Temporarily, non-financial assets awarded in insolvency proceedings.

- Cash and temporary investments until payment dates of economic rewards to security holders in the securitisation.

– Restrictions on the disposal of assets.

Where a vehicle met the characteristics listed above, the transferor did not have to consolidate the assets and liabilities of the QSPE, in spite of being eligible to do so. Other stakeholders involved in the transaction, such as investors, providers of credit enhancements or administrators of the transferred portfolios were not required to include these vehicles in their accounting scopes either.

3.2 FASB interpretation No. 46: Consolidation of variable interest entities (FIN 46R)

Most vehicles that did not qualify to be considered QSPEs were qualified as being variable interest entities (VIE) and were subject to application of FIN 46.

According to this accounting interpretation, entities that had to consolidate a VIE were those that carried the majority of the economic risks (variable interest) generated by the vehicle, regardless of whether they were losses or profits.

An entity had to re-evaluate its position as principal holder of the variable interests if a change in the vehicle's operating rules brought about a change in its rights, with other entities taking its place as principal receivers of the losses sustained or profits earned. An entity would have to apply the same procedure in the event of selling part of its variable interests to third parties.

Given the set of standards applicable to US securitisation, the most direct method of achieving the derecognition of securitised assets from the balance sheet was to sell the receivables to a vehicle qualifying as a QSPE, as thanks to the characteristics of these types of structures, this would provide the sufficient legal distance required in these kinds of transactions and the QSPE was automatically removed from the scope of consolidation of its promoters.

The subprime loans crisis gave rise to issues related to the application of FAS 140. First of all, the need to realise the security interests of the unpaid subprime loans made it clear that, from a legal standpoint, it was impossible for managers of the vehicles to actually engage in the necessary procedures to recover the unpaid amounts. The paper written by Ryan (2008)[10] on relevant accounting issues during the subprime crisis suggests that, just as higher credit-quality loans tend to be highly standardised, the opposite is true for subprime loans. In the years prior to the crisis, due to the large volume of loans that were created – which were securitised practically immediately –, no notice was taken of the impossibility of releasing the original debtor from foreclosure on the loans. Consequently, many transactions that had been accounted for as sales, did not meet the requirement of transferring the legal and effective control of the transferred receivable.

10 Ryan, S. G. (2008). *Accounting in and for the Subprime Crisis*. Available at http://ssrn.com/abstract=1115323.

Secondly, as a result of the impairment in the securitised credit portfolios, the managers of the vehicles and the providers of credit enhancements put on the pressure to ensure that regulators would allow them to change some of the terms of the loans: renegotiation of the payment dates or maturity dates of the loans, grace periods for principal amounts or inclusion of new guarantors. Their purpose was to avoid the vehicles from suffering serious financial imbalances. In July 2007 and January 2008, the Securities and Exchange Commission (SEC) allowed modifications to be made in the QSPEs' mortgage loans, provided they would not breach the consideration of qualified vehicles and the likelihood of default was high.

Finally, those responsible for the accounting standard came to the conclusion that, the plethora of assets that were being securitised and the growing complexity of the structures and contractual agreements between the parties involved, was pushing beyond the intention of the standard, which established that the QSPEs' activities should be significantly reduced and be fully specified. As a result, many financial institutions that were not consolidating their securitisation vehicles were exercising effective control over them. Numerous investors had also shown their concern to the regulating bodies given that those same financial institutions, in many cases were also assuming most of the risks and benefits expected from the transaction as a whole.

An option that was initially valued by the FASB was to issue a clarification on the criteria according to which a vehicle could be considered a QSPE. However, subsequently it concluded that, due to the fact that only a few financial assets did not require active and permanent involvement by the vehicle's manager, it was preferable to do away with the QSPE altogether.

The amendments to FAS 140 and FIN 46, proposed by the FASB, caused a broad reaction among the members in the US securitisation industry, given the great volume of assets that could be affected by the introduction of new regulations, as this would affect not only the structures originated after these regulations came into force, but would also be applicable to many others created in prior years and ongoing at that point in time.[11]

3.3 Financial accounting standard No. 167 (FAS 167) – Amendment to FASB interpretation No. 46R

For most companies, the new accounting standards came into force on 1 January 2010.

The new approach proposed by the FASB contained a change in the methodology of accounting for the securitisation transactions that, to a certain extent, entailed a convergence with the European model. Up until that point, accountants had to

11 According to the information held by the American Securitization Forum, in December 2007 the aggregate outstanding balance of the transactions that would potentially be affected included: mortgage-backed securities in the amount of 7.2 trillion dollars, securities backed by other types of receivables in the amount of 2.5 trillion dollars and 816,000 million dollars of asset-backed commercial papers (ABCP).

evaluate, first of all, whether there had been a sale of assets, but afterwards, the order of analysis was inverted: first they had to determine whether the vehicle was to be included in the consolidation scope and, subsequently, they were to evaluate whether a sale of the securitised assets had taken place. If a vehicle was to be consolidated, the assets had to remain on the entity's balance sheet, even if they met the requirements to consider them to have been sold.

FAS 167 restructured the classification of the securitised vehicles to organise securitisation transactions. As mentioned above, the QSPEs disappeared and, in general, all securitisation vehicles began to be considered VIEs.

The fundamental idea behind categorising the principal beneficiary is to determine who holds control over the variable interest or the economic remnants generated by the vehicle. FAS 167 considers that an entity controls variable interest if it meets the following two characteristics:

– It has the ability to decide on those activities which most affect the variable interest.

– It has the obligation of absorbing losses or receiving the profits that could be considered significant to the VIE.

To do so, it is necessary to identify those activities which, at each point in time, substantially affect the VIE's activity and evaluate whether it has the power to control them.

FAS 167 requires an entity to continually evaluate its consideration of a VIE's principal beneficiary. If there comes a time where a principal beneficiary no longer meets the requirements to qualify as such, it must remove the VIE's assets and liabilities from its balance sheet and recognise the profits or losses associated with the securitisation transaction.

3.4 FAS 166: Accounting for transfers and servicing of financial assets – Amendment to FAS 140

Once the transferor has analysed whether to consolidate the securitisation vehicle, it must decide whether the transfer of the financial assets meets the requirements to be deemed a sale for accounting purposes.

FAS 166 maintains the three criteria included in FAS 140 which are necessary for a transaction to be accounted for as a sale:

– Legal isolation from the transferred assets.

– New holders have the right to pledge or sell these assets.

– Transferring control over the assets.

However, it modifies some relevant aspects of the former accounting framework for securitisations and focuses more thoroughly on the requirements to achieve derecognition of the transferred assets. In this regard, the following provisions are worth mentioning:

i) It eliminates the concept of the QSPE and subjects all VIEs to review under the obligation to consolidate according to the provisions of the new FAS 167. This is the main development in the new accounting standard, as it is the aspect with greatest effects on securitisations. Since the new regulations have come into force, many vehicles have started to be consolidated in the transferors' accounting scopes, with the effect that this brought about in calculating financial ratios or regulatory capital requirements.

ii) It limits the circumstances in which a transferor derecognises transfers of a portion of assets from its balance sheet. The new standard introduces the term "participating interest" for each one of the portions of a financial asset that is transferred. Each participating interest is required to have the following characteristics:

   – Providing ownership interest in the portion of the asset transferred that is equivalent to that held by the rest of the holders of participating interests in this asset.

   – There can be no recourse (apart from the usual statements with regard to assets or security interests included in these types of transactions) and no participating interest holder can be subordinated to another.

   – There is no order of priority for receiving cash flows with regard to other participating interest holders.

iii) It provides clarification of the former FAS 140 in respect of the treatment afforded to agreements involving the transfer of assets, agreements with service providers, credit enhancements, etc. Particularly, it establishes that all of these agreements, including those executed after the transfer having taken place, should be taken into consideration to evaluate the continuing involvement of the transferor.

iv) It also provides a more in-depth focus on the legal isolation of the transferred assets, especially in cases involving the transferor's bankruptcy. In this regard, the regulator insists that an asset is isolated only if it is beyond the reach of the bankruptcy trustee or any other debtor of the transferor, as well as companies subject to consolidation.

v) By removing the concept of QSPE, the exceptions associated with those vehicles also ceased to exist. Under FAS 166, the transferors in a securitisation transaction shall be required to determine whether each residual interest holder is entitled to pledge or exchange those interests and that in the transaction as a whole there is no provision in any way limiting this right or reversing any sort of income that is not residual to the transferor.

vi) It introduces an additional condition that should be taken into account when evaluating the transfer of control over the transferred asset. In addition to analysing whether the transferor, either directly or through its companies subject to consolidation or through agents on its behalf, retains control over the asset, what needs to be determined is whether there is any sort of agreement allowing the vehicle to require the transferor to repurchase the financial assets at such a favourable price that it would be highly likely for the transferor to repurchase the assets.

vii) FAS 166 establishes that, when the transferor is required to recognise assets and liabilities that are accounted for as a sale as a result of a transfer of financial assets, they be recognised at fair value.

viii) The special treatment reserved for some secured securitisation transactions no longer exists, and from now on they must meet the required conditions in order to be derecognised from the transferor's balance sheet.

ix) In general, the new accounting standard requires greater information in the financial statements of the transferors about the transfer of financial assets that have been derecognised from their balance sheets and their continuing involvement in these transactions.

4 Differences between the European and US accounting frameworks

Before a more in-depth analysis of the differences between the European and US accounting frameworks in terms of the derecognition of assets in securitisations, certain background should be provided. This entails analysing the difference in the fundamentals on which each one of the accounting systems examined herein is based and which have influenced the way in which each one of the oversight bodies – namely the FASB and the IASB – have prepared the mechanisms through which companies are required to reflect their business activities in terms of accounting. What we mean is that the US accounting system is based upon one set of rules, while the European system stands upon principles that the users are required to apply individually, according to their own idiosyncrasy, although with restrictions on how to interpret the standards.

In the first case, the accounting framework is, essentially, a set of detailed rules that are to be followed in preparing accounting information. These rules include concrete criteria, application thresholds and caps, examples, restrictions, similarities with preceding standards or implementation guidelines.

These types of accounting environments attempt to avoid users from interpreting the standard and, in this way, achieve consistent application, reduce ambiguity and discourage company managers from implementing aggressive policies in terms of financial reporting. The downside of this system is how highly complex the standards end up becoming, due to the need to address a very high number of specific cases. Another common criticism made against this system is that it encourages users to comply with the accounting standards, instead of reflecting the economic reality of a commercial transaction.

Carmona *et al.* (2008)[12] defines an accounting system based on principles as a system whose standards reflect a fundamental understanding that reports transactions and economic events and which prevails over any rule the accounting system may include. Unlike the systems that are based on rules, the systems based on principles do not refer to each one of the issues that may give rise to controversy at the time of the standards' application, but rather, they maintain a considerable degree of ambiguity in terms of essential issues as the appropriate way of recording and quantifying. The flexibility provided by these kinds of accounting environments is one of their main advantages, as they can be applied to a variety of similar situations but with substantial differences. The main problem is that the lack of clear application guidelines can decrease comparability and coherence of the accounting information between companies of the same sector.

In 2002, due to the accounting scandals that had come to light in the prior year – of which the most infamous was electric power company Enron's scandal –, the Sarbanes-Oxley Act commissioned the SEC with conducting a study on the adoption of a financial reporting system in which the accounting system was based on principles instead of on rules. The report prepared by the SEC[13] indicated that experience had shown that an accounting system based on rules makes it easier to breach the accounting standard, due to the fact that internal inconsistencies, exceptions and independent experts' opinions allowed those attempting to evade stringent application of the standard to justify their behaviour. This report also indicated that, on numerous occasions, the accounting information was not reflecting the economic reality of the transactions and that preparing the financial information became a mere question of regulatory compliance, instead of an act of communication. Moreover, the regulator referred to the increasing complexity of the accounting system due to the need to make continual reviews in a world of endless financial innovation.

In general, the users of US standards – mainly accountants and auditors – were reluctant to implement standards based on principles rather than rules. One of the main reasons was in the lawsuits that could arise due to misapplication of an accounting standard, which is why professionals in that sector were demanding clear-cut rules to which they could cling in the event of any sort of litigation.

Nowadays, the set of US accounting standards continues to be chiefly a rules-based system, although in the past few years multiple standards have been introduced which are based on principles. The IFRS, on the other hand, although based on principles, also comprise rules, application thresholds and caps, examples and implementation guidelines.

12 Carmona, S. and Trombetta, M. (2008). "On the global acceptance of IAS/IFRS accounting standards: The logic and implications of the principles-based system", in *Journal of Accounting and Public Policy*, 27, pp. 455-461.

13 SEC (2003). *Study Pursuant to Section 108(d) of the Sarbanes-Oxley Act of 2002 on the Adoption by the United States Financial Reporting System of a Principles-Based Accounting System*. Available at http://www.sec.gov/news/studies/principlesbasedstand.htm.

It is not possible to conclude, nor has any institutional or academic paper attempted to do so, that one accounting system is better than another. Regulators issue the rules that they consider most appropriate for the economic and social environments of their jurisdictions or those they believe can correct or avoid situations that are detrimental to an efficient working order of their economies.

The following subsections present the differences identified in how the European and US accounting standards in effect since 2005 to the present day treat securitised assets. These differences do not indicate, in themselves, the weaknesses or strengths of one accounting system over another, but rather, merely show that during this period of time, different accounting systems have coexisted for economic transactions that are, in essence, similar.

4.1 2005-2009 period

The main differences in this period included the following:

i) A privileged legal concept in the US regulatory framework.

Where a vehicle was eligible to be considered a QSPE, the transferor was allowed to automatically derecognise the transferred assets from its balance sheet, without the need to evaluate whether the requirements for a sale of assets had been met or whether there were factors indicating the need to include the vehicle in the originator's scope of consolidation. For this reason, US originators attempted to come up with structures that would fit this format, regardless of whether in practice an actual disassociation from the assets and from the transaction was taking place during the time it was active. European standards, on the other hand, did not contemplate a similar legal concept and, in all likelihood, a considerable number of vehicles originated in the European Union would have met the requirements of a QSPE, which would have allowed for the automatic derecognition of the assets from the originator's balance sheet.

ii) The order of evaluating derecognition of assets from the balance sheet.

In spite of the fact that both regulations considered the same aspects when determining whether securitised assets could be derecognised from the transferor's accounting books, the approach was completely different.

European standards set forth that the steps a transferor had to follow to determine whether the assets were eligible for derecognition were as follows:

- First of all, the transferor was to determine whether the vehicle belonged within its scope of consolidation.

- Then, it was to establish whether the assets had been sold, pursuant to the requirements set out for a sale.

The US standards proposed a reverse order:

– First, the transferor analysed whether the transfer of assets qualified for sale treatment.

– Second, the transferor evaluated whether the vehicle was to be consolidated.

iii) Criteria for sale treatment of assets.

The evaluation under IFRS focused on the double test combining the transfer of risks and rewards associated with the transaction and control over the transferred assets and the vehicle. The standards issued by the FASB focused on answering the question of whether the transferor had surrendered control over the asset, without taking into account the transfer of risks and rewards of the transaction.

4.2 After 2010

The amendments introduced by FAS 166 and 167 brought the US and European accounting models closer together with regard to two essential aspects, mentioned above. On the one hand, the QSPEs were eliminated and, on the other hand, the order in which the two fundamental criteria for derecognising securitised assets from the balance sheet were applied was made consistent. However, the two accounting systems did not become perfectly aligned and currently substantial differences continue to exist.

i) The difference in approach between both accounting systems remains, although somewhat softened. The European accounting framework continues to focus on complying with the transfer of risks and rewards test of the assets and the transaction as a whole, while for the US framework, the issues related to control over the assets and the vehicle continue to take priority.

ii) One of the characteristics of securitisation is the separation between the transferor and the transferred asset. The US legislation places special emphasis on the need for the transferred asset to be legally isolated in the event of the bankruptcy of the transferor, its group subject to consolidation or the bankruptcy trustee. This is not the case in the European legislation which, although mentioning this issue in different paragraphs, does not delve into the matter.

The different level of importance given to this issue can lead, in practice, to very different accounting treatments. This is the case of a total return swap in a securitisation structure.

Securitisation vehicles tend to arrange interest rate swaps so as to avoid the disruptions due to the fact that many securitised portfolios have a variable interest rate, whilst a large part of the series of bonds issued pay a fixed interest rate. This product, in general, works in the following way: the vehicle pays the interest earned from the loans to the bank from which it obtains the derivative – normally the transferor –, while the bank pays the vehicle a fixed interest rate. Based on how the amounts that both parties are required to exchange with each other have been defined – that is, if the amounts outstanding or paid early are considered or not –, the bank will assume greater or less exposure in the transaction.

According to this scenario, European standards prevent derecognition of the transferred assets from the bank's balance sheet, as they consider that it has substantially retained the risks associated with those assets. However, US legislation states that, provided the assets remain legally isolated in the event of the transferor's bankruptcy, the vehicle may dispose of them and the transferor does not control the vehicle, then the bank may derecognise them from the balance sheet.

iii) The difference in the European and US accounting approaches also affects the treatment of vehicles closed on the liabilities side and temporarily open on the assets side.

These types of structures replace amortised assets during a predetermined period of time, using the amounts from the amortisations to purchase new assets, instead of passing them through to the bondholders, whose principal amount reimbursement dates are deferred and who receive only interest.

Pursuant to US legislation, these kinds of structures, with deferred payments to investors, may achieve derecognition of the assets from the transferor's balance sheet provided they meet the rest of the requirements: legal isolation, the vehicle's ability to sell or pledge the assets and not exercising control.

However, European legislation requires the vehicle to transfer all amounts received from the portfolio to investors without material delays. This provision prevents revolving-type structures to pass the test established to consider the transfer a sale of the assets, which is why the transferor cannot derecognise them from its balance sheet.

iv) US standards restrict the transfer of a portion of assets to a greater extent than European standards. Thus, to use one of the most common securitisation structures in the United States – the securitisation of the interest earned on mortgage loans –, an asset formed by this interest must first be created, so that when it is securitised it can be considered the transfer of the asset in its entirety.

v) Both the FASs and the IFRSs pay special attention to the continuing involvement of the parties related to the originators throughout the life of the transaction for analysis of the vehicle's consolidation. According to the current ASC 810, when the originator does not exert control over the vehicle's relevant activities and the potentially substantial economic interests at the same time, but there are related parties that could meet both requirements, they must analyse whether the related party should consolidate the vehicle according to the following criteria:

– Verify whether there is an agency relationship between the originator and the related party.

- Verify the significance of the activities assumed by the related party within the vehicle's operation.
- Quantify the exposure of the related party to the transaction's losses or income.
- Analyse the vehicle's design.

The IFRSs are less thorough in addressing the matter of the role played by related parties, and limit themselves to requiring, when analysing the control over the vehicle, that the transferor take into account the nature of the relationship with third parties and whether they are acting on behalf of the originator.

The following table summarises the differences that persist between the standards issued by the FASB and the IASB.

Differences between the accounting standards prepared by the IASB and the FASB for derecognition of securitised assets from the balance sheet TABLE 1

	IFRS	FASB
Legal isolation from the assets	Not required	Required
Ability to sell or pledge the assets	Not required	Required
Clean-up calls	Assets are not derecognised, although it depends on the scope of the call	Does not prevent derecognition of the assets
Security interests on the assets	Assets are not derecognised, although it depends on the type of security interest	Assets may be derecognised if it can be evidenced through the opinion of an independent expert that a sale has taken place
Arranging a total return swap	Assets are not derecognised	Assets may be derecognised if it can be evidenced through the opinion of an independent expert that a sale has taken place
Revolving structures	Very uncommon for assets to be derecognised	Assets may be derecognised
Transfer of a portion of the assets	Assets may be derecognised in part	Very uncommon for assets to be derecognised
Partes vinculadas	Scarcely taken into account by the standards	Pays great attention to related parties

Source: Deloitte (2014). *Securitization Accounting*. Available at: http://www2.deloitte.com/us/en/pages/risk/articles/securitization-accounting-ninth-edition.html

5 Conclusions

The debate that is currently being held at institutional level to recover securitisations as the source of financing for banks and, ultimately, the real economy, has led to the identification of some of the factors that could be hindering the recovery of this activity, some of which include the limited transfer of credit risk that, in practice, has resulted in these types of transactions, especially, in some economic areas such as the European Union.

The Joint Association, one of the main associations of economic agents that take part in financial markets, brought to light in a document published in February 2015[14] that the proposals to revitalise the securitisation market are usually prepared by placing emphasis on those aspects that can benefit the investor, and ignoring the needs that the originators strive to cover when they tackle a transaction of this kind, particularly the need to ensure a substantial transfer of the risk of the portfolios they will transfer. If the originators do not achieve an efficient transfer of the risk of the transferred portfolios, their ability to provide additional financing to the real economy is limited.

This paper has addressed one of the least studied and least considered aspects of the current debate, and which could be affecting the ability of financial institutions to derecognise assets transferred in securitisation transactions from their accounting books and, therefore, manage to fully transfer the credit risk associated with these assets. This issue involves the accounting framework applied to those assets when they are transferred.

When a securitisation of assets manages to be considered a sale for accounting purposes, it offers the transferor a series of benefits. First of all, securitisation allows banks to optimise exposures to the loans originated by them, as they can decide which loans to retain on their balance sheets and which loans to sell to third parties. The active management of loan portfolios avoids undesirable sector or geographical concentrations without impairing the market shares of the financial institutions in these areas. Another positive effect is the transformation of non-liquid assets into cash, which improves the liquidity position of the transferors and increases the resources available to be reinvested in banks' lending activities. Finally, it is worth mentioning that by selling assets banks release the capital requirements associated with those assets, improving regulatory capital ratios.

The fact that there are legislative asymmetries in accounting matters across the different economic areas means that like-for-like structures from an economic and financial point of view would be receiving different treatments. These asymmetries can favour regulatory delocalisation processes, in this case by moving the securitised activity to jurisdictions affording a more favourable accounting treatment.

Throughout this document we have reviewed the accounting standards applicable to the assets transferred in securitisation transactions since 2005 with the purpose

14 Response by the Joint Association to the *Consultative Document on Criteria for Identifying Simple, Transparent and Comparable Securitisations,* published by the BIS and IOSCO. The Joint Association brings together associations such as: the Global Financial Markets Association (GFMA) (including the Association for Financial Markets in Europe (AFME), the Asia Securities Industry & Financial Markets Association (ASIFMA), and the Securities Industry & Financial Markets Association (SIFMA)), the International Capital Market Association (ICMA), the Institute of International Finance (IIF), and the International Swaps and Derivatives Associations (ISDA).

of identifying different treatments in two concrete economic areas: the United States and the European Union.

We have been able to verify that during the pre-crisis years, under the accounting framework used by US entities, especially thanks to the concept of the QSPE, it was much more likely to be able to derecognise securitised assets than under the European framework.

Due to the financial crisis and as a result of recurrent requests by the G20 to international accounting institutions to double their efforts to achieve a single set of accounting standards applicable at a global level, changes were introduced in the way of accounting for securitised assets within the scope of the US FAS that entailed a convergence with the methodological line applied within the scope of the European IFRS.

However, despite the efforts made to align the criteria applied in both accounting environments, we have found that differences still continue to exist that make it easier to derecognise securitised assets from the balance sheet under FAS than under IFRS, although to a lesser extent than during the years prior to the crisis.

III Legislative annex

New legislation since publication of the CNMV Bulletin for the second quarter of 2015 is as follows:

National regulations

– Royal Decree 421/2015, of 29 May, regulates the standardised by-laws and public deed models for limited liability companies, approves the by-laws model, and regulates the Notarial Electronic Diary and the Reserved Firm Name Listing.

  This Royal Decree regulates the requirements to be met by standardised by-laws and approves the statutory standardised model; following current regulations, a highly simple by-law model has been selected, notwithstanding any future approval of one or more complex models.

  In accordance with the Law supporting entrepreneurs and lawmakers' will to enable the creation of companies within shorter terms, the standardised and coded-field deed shall be used in the cases of telematic incorporation. This Royal Decree regulates, as permitted by law, the characteristics of the public deed, the specific mxodel to be approved through an order of the Ministry of Justice.

  It also governs the Reserved Firm Name Listing, as regulated in the first final provision of Royal Legislative Decree 1/2010, of 2 July, which approved the consolidated text of the Capital Companies Law; the Notarial Electronic Diary aimed at setting an appointment to execute an incorporation deed, or the format used to send these deeds to the relevant Mercantile Register.

– Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms.

  This Law is aimed at regulating the processes of early-stage actions and resolution of credit institutions and investment firms established in Spain and at setting the legal system applicable to the Fund for Orderly Bank Restructuring (FROB) as an executive resolution authority and its general sphere of action, in order to protect financial system stability by minimising the use of public resources. Its first final provision amends the Securities Market Law (Spanish acronym: LMV) in order to incorporate the reform on securities clearing, settlement and registration.

  Unlike the previous regulation and in line with the transposed directive, the material novelty of this Law is that it is applied not only to credit institutions but also to investment firms.

  This implies that the references made to the competent supervisor shall be understood to imply the Bank of Spain, in the case of credit institution resolutions, and to the CNMV, in the case of investment firm resolutions. However, in certain cases, the competent supervisor or the resolution authority shall include European institutions, agencies and bodies created as exclusive supervision and resolution authorities.

A distinction is made between preventive and executive resolution functions, the first ones being under the charge of the Bank of Spain and the CNMV – through the independently operating bodies established –, and the second ones, under the charge of the FROB.

Chapter VII introduces slight novelties with respect to FROB structure, as it extends the number of members of its Governing Committee and creates the position of Chairman as the maximum representative in charge of ordinary administration and management to be held for a non-renewable term of five years, with specific grounds for removal. In addition, a CNMV member is incorporated thereto as a result of the expansion of the subjective sphere of application of the Law.

Another significant novelty resulting from the transposition of the Directive is the creation of a National Resolution Fund. The fund shall be financed by contributions made by credit institutions and investment firms, while their financial resources should reach at least 1% of all entities' guaranteed deposits. As from 1 January 2016, when the European Single Resolution Board will become fully operative and the National Resolution Fund will be merged with the rest of national funds from euro area Member States into a European Single Resolution Fund, Spanish credit institutions shall contribute to this European fund, and the National Resolution Fund shall only serve for the purpose of investment firms.

Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions is abrogated, except for its provisions amending other regulations and the second, third, fourth, sixth through thirteenth, fifteenth, seventeenth, eighteenth and twenty-first additional provisions.

The first additional provision of this Law amended Securities Market Law 24/1988, of 28 July, in order to incorporate the reform on securities clearing, settlement and registration in the Spanish market, which implies significant changes in the clearing and settlement of all equity transactions. Among other aspects, noteworthy is the participation of a central counterparty entity, changing from a reference-based registry to a balance-based registry, and creating an information system for supervision purposes.

– As to securities clearing, settlement and registration, the following articles are amended: 5, 6, 7, new 7 *bis*, 12 *bis*, 31 *bis*, new 36 *bis,* new 36 *ter*, new 36 *quater*, 44 *bis*, 44 *ter*, 44 *septies* and 44 *octies*; and the following articles are eliminated: 54, 57, 60, 70 *ter*, 84, 95, 98, new items in articles 99 and 100, 102, 103, 105, 106, 106 *ter*, new 107 *quinquies*, 125, and the seventeenth additional provision; the duplicated seventeenth additional provision introduced by Law 44/2002 is eliminated; a new twenty second additional provision is added with respect to the good performance of securities clearing, settlement and registration.

– In order to improve securities issuers' transparency, the following articles are amended: 35, 35 *bis*, 53, and 91.

The application of these amendments should be analysed considering the seventh temporary provision under this Law, which sets forth the application of the first final provision and Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2014, on improving securities settlement in the European Union and on central securities depositories, and whereby Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 were amended.

Other amendments added by virtue of this Law:

- Sixth final provision: It amends Law 35/2003, of 4 November, on collective investment institutions (CII) under subsections 1 and 2 of article 54 *bis*, with respect to the conditions for CII cross-border management by management companies authorised in Spain, pursuant to Directive 2011/61/EU of the European Parliament and of the Council, of 8 June 2011, and for service provision in other Member States.

- Thirteenth final provision: It amends Law 22/2014, of 12 November, regulating venture capital entities, other closed collective investment institutions and closed CII's management companies, as well as Collective Investment Institutions Law 35/2003, of 4 November. It amends subsections 1 and 2 of article 81, related to the conditions for cross-border management of venture capital entities (VCE) and collective investment undertakings of the closed-end type (Spanish acronym: EICC) by management companies authorised in Spain, pursuant to Directive 2011/61/EU of the European Parliament and of the Council, of 8 June 2011, and for service provision in other Member States.

- The ninth final provision added a tenth additional provision to the consolidated text of the Capital Companies Law, as approved by Royal Legislative Decree 1/2010, of 2 July. Such tenth additional provision implies that, for the purpose of the Law on the recovery and resolution of credit institutions and investment firms, the general shareholders' meeting of the listed companies governed by this Law may – through a majority of two thirds of validly cast votes – agree upon or modify by-laws by instructing that the general shareholders' meeting deciding to increase capital be called in a shorter term (with the ten-day limit as from calling) than the general calling term, provided that the conditions determined by this Law are met and the capital increase is necessary to avoid the resolution conditions under this Law.

- Bankruptcy Law 22/2003, of 9 July, is amended, specifically its second additional provision related to the special regime applicable to credit institutions, investment firms and insurance companies, pursuant to the previous comments.

- CNMV Circular 1/2015, of 23 June, on market infrastructure statistical data and information.

CNMV Circular 1/2015, of 23 June, on market infrastructure statistical data and information is published pursuant to the power granted by article 86.2 of

Law 24/1988, of 28 July, issued by the Securities Market to the CNMV, as expressly delegated by the Ministry of Economy and Competitiveness.

This Circular is a thorough regulation of registries, internal or statistical databases and documentation to be kept by the entities under subsections a) and b) of article 84.1; these are the companies regulating secondary official markets, entities regulating multilateral trading systems, central counterparty entities and central securities depositories (excluding the Bank of Spain), Sociedad de Bolsas, Spanish investment firms, investment firm agents and investment guarantee fund management companies. Any other party that is a member of an official secondary market is included as well.

This Circular comprises five regulations, a repeal provision, a final provision and an annex, forming an integral part thereof, with the following content:

– The first regulation sets the purpose and the sphere of application.

  Thus, this Circular sets and regulates the registries, internal or statistical databases and documentation disclosing and containing information on structure, operation and activities related to financial instruments performed, as applicable, at the entities within the sphere of application.

  The contents of this Circular shall be applied to the companies regulating secondary official markets, entities regulating multilateral trading systems, central counterparty entities and central securities depositories, Sociedad de Bolsas and the companies owning all shares or an interest implying the direct or indirect control over the abovementioned entities.

– The second regulation refers to the characteristics of regulated statistical information.

  In this sense, the statistical information that is the subject matter of this Circular shall consist in properly arranged data for automated treatment disclosing the events forming the "sequence of services" rendered by the various market infrastructures.

  The data to be captured and saved shall include:

  – All dynamic data related to each order or instruction flow throughout the service sequence in each trading and post-contracting infrastructures involved.

  – All statistical or position data that post-contracting infrastructures and markets connect to each order processed in their schedule throughout the sequence of services in which they become involved.

  – Flow and position data contained in statistical information governed by this Circular shall be kept in secure, stable and long-lasting media by the company in charge of capturing them for at least ten years.

– The third regulation refers to the availability of statistical information and associated data for the CNMV.

The statistical data to be made available to the CNMV pursuant to the first and second regulations shall be structured in sets. These data sets may arise from or be classified for the purpose of this Circular in any of the following four categories or types:

– Data from platforms disclosing statistical information on real-time trading infrastructures, such as contents of the so-called data feeds of those trading infrastructures.

– Data from or to be extracted from trading infrastructure online terminals.

– Data organised in IT files and arising from mandatory IT systems for the control of activities performed in post-contracting infrastructures.

– Data – notwithstanding their origin – including data from the previous categories, organised and compiled as requested by the CNMV in IT files.

The IT files collecting flow and position data forming part of each data set categorised as c) and d) types in the annex to this Circular and, specifically, their formats, length, positions and further technical specifications shall be disclosed in the so-called "technical specification files".

The companies belonging to the same group shall be coordinated.

– The fourth regulation updates data sets and amends the content of IT files.

The changes that companies are planning to introduce in a)- or b)-type data sets under subsection 1 of the third regulation shall be notified to the CNMV prior to their effective date, sufficiently in advance to allow assessing the impact on statistical information processing systems and, as applicable, the supervisory schemes of those companies' operations.

The companies may also propose modifications in data fields or in c)- and d)-type file formats under subsection 1 of the third regulation, as indicated in the annex to this Circular. The CNMV may oppose to these modifications whenever they impair the supervisory processes carried out through these files. If accepted, the CNMV shall determine the terms to implement the appropriate changes.

– The fifth regulation develops other provisions on statistical information data sets.

Each company shall establish the control mechanisms and systems required to guarantee the accuracy, quality and sufficiency of statistical information and the compliance with formats and terms of availability to the CNMV.

The companies shall guarantee the consistency of a data type whenever it may appear in various data sets and shall not modify IT files – based on c)- and d)-type data under subsection 1 of the third regulation – made accessible or available to the CNMV, and shall not eliminate or cease to inform about any data contained therein.

Furthermore, should any of the files not be available on time or, if available, should they contain empty fields or erroneous or defective data for IT purposes, the liable company shall be required to make an immediate correction and properly make the file in question available again.

On a general basis, the CNMV may require companies to make as many clarifications as it may deem appropriate regarding data set contents.

The contents of statistical information and associated data contained in the data sets under the annex to this Circular that companies make public for any reason shall not differ from those made available to the CNMV.

The statistical information and associated data to which the CNMV may have access or made available through the data sets referred to under the third regulation shall be confidential and used only for the supervision, verification or reconciliation of data or, as applicable, for statistical purposes, pursuant to article 90 of the LMV.

– In addition, the annex to the Circular is aimed at setting, compiling and describing the data sets deemed statistical information to be collected, kept and made available to the CNMV by the entities included in its sphere of application, so as to be used in recurring supervisory tasks attributed to the CNMV with respect to these entities' structure and operations and the activities performed over financial instruments therein.

– Consistently with the previous comments, the Circular expressly abrogates the following provisions:

  – The fourth regulation of CNMV Circular 2/1992, of 15 July, on accounting standards, financial statements public and confidential models, statistical information and public annual accounts of the companies governing official futures and options markets.

  – The fourth regulation of CNMV Circular 4/1992, of 21 October, on accounting standards, financial statements public and confidential models, supplementary financial statements models and public annual accounts of the Securities Clearing and Settlement Service.

  – CNMV Circular 4/1990, of 13 June, on statistical information of companies governing stock exchanges.

– The fourth regulation of CNMV Circular 3/1990, of 23 May, on accounting standards, financial statements public and confidential models, supplementary financial statements models, public annual accounts and audits performed by Sociedad de Bolsas.

– The additional provision of CNMV Circular 1/2003, of 22 January, developing the special requirements imposed on industrial members of secondary official olive oil futures and options markets and regulating the accounting and statistical information required from the companies governing these markets.

– CNMV Circular 2/2015, of 23 June, on operation transparency in official securities markets.

The amendment performed by this Circular is aimed at eliminating the obligation established in Circular 3/1999, of 22 September, whereby stock exchanges are required to disclose information on the identity of the buyer and seller involved in the transactions performed at SIBE (Spain's electronic market in securities) throughout the session and in the special stock exchange operations performed by virtue of Royal Decree 1416/1991, of 27 December, on special stock exchange operations. Therefore, it is a specific and strictly technical amendment.

The amendment must be understood within the context of a growing interrelation and increased competition among the different centres where financial instruments are traded. Therefore, the trading of Spanish shares comprises not only Spanish stock exchanges but also foreign securities markets, including regulated markets and multilateral trading systems.

If this amendment was not adopted, there could be competitive disadvantages for Spanish stock exchanges as compared to other trading centres as a result of the requirement to keep the market buyer and seller informed, as the members of the Spanish market would have more obligations than those established by other markets.

In order to avoid the competitive disadvantage referred to in the previous paragraph, Circular 2/2015 amended items A and B under the third subsection, "Information to be disclosed by companies governing stock exchanges", of CNMV Circular 3/1999, of 22 September, on the transparency of transactions in official securities markets as follows:

– In ordinary transactions, especially those performed at the SIBE in real time, for each security all transactions performed throughout the session shall be disclosed indicating price, volume and time of performance. For transactions not performed at the order market (main and fixing), public disclosure may be delayed, at most, until the commencement of trading on the following day.

– In transactions performed pursuant to Royal Decree 1416/1991, of 27 December, on special stock exchange transactions, the following information shall be disclosed: security identification, quantity, price, and time of transaction performance. The information on each one of them shall be disclosed before the commencement of the following trading session and the provisions under such Royal Decree and its implementing provisions shall apply.

– CNMV Circular 3/2015, of 23 June, on technical and legal specifications and information to be contained in the websites of listed limited companies and savings banks issuing securities admitted for trading in official secondary securities markets.

This Circular intends, first of all, to adjust those minimum contents to the new obligations imposed by Order ECC/461/2013, of 20 March, and by Law 31/2014, of 3 December, amending the Capital Companies Law for corporate governance improvement and, secondly, to consolidate into a single regulation the obligations imposed in this regard on listed limited companies and savings banks issuing securities admitted for trading.

Following the previous comments, this Circular provides for as follows:

It shall apply to listed limited companies, savings banks issuing securities admitted for trading in official secondary securities markets and foreign institutions whose shares are admitted for trading in Spanish official secondary securities markets.

Under the principle of information transparency the information included in the website regarding obliged parties must be clear, complete, correct and true, excluding any partial information, that comprises an insufficient period of time, that cannot be compared, that does not include appropriate warnings or that may give rise to error or confusion for any other reason or prevent the investor from forming a grounded opinion on the entity.

The following technical and legal specifications have been introduced:

– Obliged parties shall have a website with a registered Internet domain name. Each entity shall have the means required to cause its website to be easily found in Internet through the mostly used browsers.

– All sites must be printable and written at least in Spanish.

– Should the web offer versions for different electronic devices, its contents and presentation shall be as consistent as possible.

– All website titles and contents shall be clear and material and the language used shall be appropriate for an average investor, avoiding the use of technical terms as much as possible. Should acronyms be used, they shall be translated while abbreviations shall also be avoided as much as possible.

- The website technical structure and files supporting contents shall allow navigation and accessibility through commonly used IT products in the Internet environment, and the response time shall not hinder the inquiry.

- The website home page of listed companies shall have a specific section that must be easily recognisable and have a direct access to include, under a modern regulation on "Information for shareholders and investors" or a similar one, all the information required under Royal Legislative Decree 1/2010, of 2 July, which approved the consolidated text of the Capital Companies Law; Securities Market Law 24/1988, of 28 July; Order ECC/461/2013, of 20 March; this Circular 3/2015 and any other regulation stating that the entity is an obliged party and containing provisions setting forth the inclusion of certain information on the website, notwithstanding the information included by listed companies voluntarily.

- The website home page of savings banks issuing securities admitted for trading in official secondary securities markets shall contain a specific section that must be easily recognisable and have a direct access to include, under "Information for investors" or a similar caption, all the information required by applicable regulations.

- The accessibility to the contents included under "Information for shareholders and investors" in listed companies, or under «information for investors» in savings banks shall not be beyond three navigation steps (clicks) from the main page and shall not require the inquiring party's previous identification, except, as applicable, to access the Shareholders' Forum.

- The contents shall be structured and arranged in order of importance with a concise and explanatory title, so as to allow quick and direct accessibility to each one of them, with no charge for the user. Those contents must be downloadable and printable.

- At least each one of the contents specified in item/subitem columns in Annexes I, "Information to be included by listed limited companies in their websites", and II, "Mandatory information to be included by savings banks in their websites" to the Circular shall be directly referred to in the map or in any other web table of contents.

In the event of discrepancies between the information contained in the website of the obliged party and the information contained in CNMV's public registries – unless they were not material –, the obliged party shall eliminate those discrepancies as soon as possible. For that purpose, the obliged party shall send, as appropriate, the correct information to the CNMV to be added to the relevant administrative registries or shall modify its website.

Pursuant to this Circular, the information to be disclosed by the obliged parties in their websites may be offered through links allowing to access the information offered on that entity in CNMV's public registries.

Similarly, the obliged party's website may include telematic connections with the Mercantile Register or other public registries, so that shareholders and investors may compare the information. The links to CNMV's website included to facilitate the inquiry of existing information on the obliged party in CNMV's public registries shall be adjusted to the technical specifications established by this agency.

It is also determined that directors, in the case of listed companies, and the general director or, as applicable, the person appointed by specific sector regulations, in the case of savings banks, shall be required to keep the website information updated and to adjust its contents to those resulting from the documents filed and registered with the appropriate public registries.

This Circular abrogates:

- CNMV Circular 1/2004, of 17 March, on the annual corporate governance report related to listed limited companies and other entities issuing securities admitted for trading in official secondary securities markets, and other information instruments regarding listed limited companies.

- CNMV Circular 2/2005, of 21 April, on the annual corporate governance report and other information on savings banks issuing securities admitted for trading in official secondary securities markets.

- Circular 4/2015, of 29 July, of the Bank of Spain. Approval of Royal Decree-Law 20/2012, of 13 July, on measures aimed at guaranteeing budget stability and competitiveness promotion; Law 14/2013, of 27 September, on entrepreneurs' support and their internationalisation; and Royal Decree 579/2014, of 4 July, which develops certain aspects of this Law on internationalisation notes and bonds, has implied the introduction of these marketable securities into our debt instrument market.

  The purpose of this Circular is to establish the minimum content of the special accounting record referred to in article 10 of Royal Decree 579/2014, which develops certain aspects of Law 14/2013 on entrepreneurs' support and their internationalisation, internationalisation notes and bonds, and the information to be published in the issuing entity's annual report notes, by virtue of the qualification set forth in subsections 2 through 4 of such article.

  In addition, Circular 1/2013, of 24 May, on Risk Information Bureaus (RIB), was amended to introduce companies' internationalisation financing among operation goals.

  The amendments introduced by this Circular into Circular 4/2004 shall become effective on 31 December 2015, except for public individual financial statements 12 and 13 to be submitted to the Bank of Spain, referring to data at 31 December 2016. The amendments made to Annex VII shall become effective on the date following publication of this Circular in the State Official Journal.

  The amendments introduced by this Circular in Circular 1/2013 shall become effective on 31 December 2015.

The amendments introduced by this Circular in Circular 5/2012 shall become effective on the date following publication of this Circular in the State Official Journal.

– Law 15/2015, of 2 July, on voluntary jurisdiction.

Voluntary Jurisdiction Law 15/2015 regulates the voluntary jurisdiction procedures that were traditionally classified as voluntary jurisdiction. Since it became effective, they are to be analysed by legal practitioners having no jurisdictional powers, such as clerks, notaries public, and ownership and trade registrars by "updating and simplifying regulations on their management, trying to choose the less costly and swifter alternative, observing guarantees and legal security in full and taking special care of the proper arrangement of their acts and institutions".

Even though it does not imply directly an essential amendment to securities traffic, there are certain reforms affecting trade procedure management and, therefore, certain commercial standards, such as the Commercial Code or Royal Legislative Decree 1/2010, of 2 July, whereby the consolidated text of the Capital Companies Law was approved. Consequently, other reforms were introduced to coordinate the contents of these Laws.

As to modifications, Title V, "Voluntary jurisdiction procedures related to the Law of obligations", develops the procedure related to the term set to comply with obligations, as applicable, to be heard by the judge, and the judicial deposit under the charge of the court clerk.

In addition, in Title VIII, "Commercial voluntary jurisdiction procedures", different procedures are developed with respect to the disclosure of books by those required to keep accounting records, the calling to general shareholders' meetings, the appointment and removal of liquidators, auditors or controllers in an entity, the reduction of capital stock and the amortisation or disposal of ownership interests or shares, the judicial dissolution of companies, the calling to the general bondholders' meeting, and the robbery, theft, loss or destruction of securities or the portions representing partners.

Special attention should be given to the robbery, theft, loss or destruction of securities or the portions representing partners. The procedure to adopt measures set forth by commercial legislation in these cases may be requested through a procedure subject to the Commercial Code jurisdiction, the participation of an attorney and a solicitor being mandatory. This chapter develops the procedure reporting and management. The following applies with respect to the reporting of securities admitted for trading in official secondary markets:

– The entitled party – if its securities were admitted for trading in a stock exchange or any other official secondary market – may resort to the company governing the relevant official secondary market of the issuing entity's domicile in order to report the robbery, theft, loss or destruction of securities.

- The company governing the relevant official secondary market shall notify the other governing companies, which shall publish that information in the announcement board in order to prevent the transfer of the security or securities involved. The report shall also be published in the State Official Journal and, if requested by the reporting party, in a widely-read newspaper of its choice.

- The reporting party shall request the commencement of the procedure regulated by this chapter within the maximum term of nine days from formalisation of the report.

- If the company governing the official secondary market was not notified about the file compilation, it shall lift the securities interdiction, notify so to the companies governing the other stock exchanges or official markets and shall publish it in the announcement board.

In this sense, the second and fourteenth final provisions introduce amendments in the Commercial Code and Royal Legislative Decree 1/2010, of 2 July, whereby the consolidated text of the Capital Companies Law was approved.

- Law 19/2015, of 13 July, on administrative reform measures within the sphere of Justice and Civil Registry Administration.

  This text considers new regulatory measures required to execute some of the proposals under the Public Administration Reform Commission (CORA) Report and, more specifically, to execute proposals related to the implementation of an electronic auction system through a single court and administrative auction portal at the State Agency of the State Official Journal and to the electronic processing of birth and death records from health centres.

  The following aspects stand out:

  - The first final provision modifies the Commercial Code for the transposition of Directive 2012/17/EU of the European Parliament and of the Council, of 13 June 2012, amending Council Directive 89/666/EEC and Directives 2005/56/EC and 2009/101/EC of the European Parliament and of the Council as regards the interconnection of central, commercial and companies registers. A new subsection 5 was added to article 17 of the Commercial Code, reading as follows:

  - "5. The Mercantile Register shall ensure interconnection with the European central platform, as determined by European Union standards and related regulations. The exchange of information through the interconnection system shall allow interested parties to obtain information on the company's name and legal status, registered office, Member State in which it was registered, and registration number".

  - The Law shall become effective on 15 October 2015.

– Law 20/2015, of 14 July, on organisation, supervision and solvency of insurance and reinsurance companies.

The purpose of this Law is to regulate and supervise the private insurance and reinsurance activity, taking into account access and exercise conditions and the solvency, restoration and liquidation system applicable to insurance and reinsurance companies, for the main purpose of protecting the rights of policy holders, insureds and beneficiaries, as well as promoting transparency and the proper development of the insurance activity.

The need to incorporate European Union insurance law and the adaptation of regulations to the insurance sector performance is one of the reasons for this Law, which considers the provisions under Directive 2009/138/EC of the European Parliament and of the Council, of 25 November 2009, on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), which must be incorporated into a legal regulation, as these are material amendments regarding the insurance activity supervision plan. This Directive was mainly modified by Directive 2014/51/EU of the European Parliament and of the Council, of 16 April 2014, amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No. 1060/2009, (EU) No. 1094/2010 and (EU) No. 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority) (Omnibus II Directive).

The magnitude of all these changes has required the replacement of the current consolidated text with a new law integrating – similarly to the European Union regulatory consolidation carried out by virtue of Solvency II Directive – the provisions that continue to be effective, the new solvency system and other regulations required to be introduced, considering the changes in the insurance market.

The following aspects stand out:

- Article 206, on measures related to the application of administrative penalties, sets forth that penalties, – except for the private admonition –, once they become enforceable, shall be notified to the CNMV and the Bank of Spain. Furthermore, the twelfth additional provision on communications among penalty supervisors lays down that, should the Bank of Spain, the CNMV, the National Market and Competition Committee or the General Insurance and Pension Fund Department begin a proceeding to impose a penalty on a financial institution subject to the control of another supervisor, they shall notify this circumstance to the relevant supervisor, who may collect the information that it may deem material for the purpose of its supervisory powers.

- In addition, the fifth final provision amended again Bankruptcy Law 22/2003, of 9 July, as follows:

  - A new subsection was added to article 233.5, whereby, in the case of insurance companies, the appointed mediator shall be the Consortium for Compensation of Risk and Insurance.

- The second additional provision on the special regime applicable to credit institutions, investment firms and insurance companies refers to Law 20/2015, of 14 July, on organisation, supervision and solvency of insurance and reinsurance companies; and the consolidated text of the Consortium for Compensation of Risk and Insurance's By-laws, as approved by Royal Legislative Decree 7/2004, of 29 October.

- Law 22/2015, of 20 July, on accounts auditing.

  This Law is aimed at regulating the mandatory and voluntary accounts auditing activity by setting the mandatory terms and conditions and requirements for that purpose, as well as regulating the public supervision system and international cooperation mechanisms concerning said activity. The aim of this regulation is to improve the quality of audits, strengthening their independence, in order to consolidate reliability in economic and financial information.

  The regulation governs the access system and the Accounts Auditors Official Registry, whose public content is modified to introduce the European mandate on penalty disclosure.

  It amends certain aspects of the mandatory registration with the abovementioned Official Registry of accounts auditors and auditing companies issuing audit reports on annual or consolidated accounts in certain companies domiciled outside the European Union, whose securities have been admitted for trading in Spain, subject to previous compliance with certain requirements that are equivalent to those imposed on national account auditors.

  The European Union has incorporated *ex lege* the professional scepticism duty, as well as the application of professional judgement in the performance of any audit work from planning through reporting.

  In accordance with the previous comments, following content is noteworthy:

  - Auditing standards, which continue to keep the international auditing standards adopted by the European Union Commission. In this regard, there is the possibility that current and newly issued auditing technical standards imposed requirements apart from those included in the international auditing standards adopted by the European Union, according to Directive 2014/56/EU of the European Parliament and of the Council, of 16 April 2014.

  - Further contents are developed in the audit report as part of the transparency goal sought by this regulation. In this sense, the Law intends to clarify the role of auditors and increase information.

  - To achieve more auditors' independence, the term of agreements shall not exceed ten years, auditors' fees are limited, and stricter rules apply to the incompatibility system.

- In addition, stricter requirements are imposed on public-interest-entity auditors. Thus, first of all, an audit report should be issued with a broader content than the general one; secondly, these auditors should publish the annual transparency report and the auditing network reports. In addition, separate publication from the relevant network is required in order to achieve more transparency and avoid any confusion, notwithstanding the content that could be additionally developed through a resolution from the Accounting and Auditing Institute.

- A public supervision regime is also implemented to regulate the public supervision system, under the full responsibility of the Accounting and Auditing Institute, the authority in charge of account auditing; this sphere is limited by the functions attributed to it and the parties involved. Apart from the current ones, new functions are added, as set forth by new regulations on audit market variation surveillance.

The specific provisions contained in the Law include:

- For the purpose of this Law, article 3.5 item a) sets forth that the following entities shall be deemed public-interest entities: those issuing securities admitted for trading in official secondary securities markets, credit institutions and insurance companies subject to the supervision and control attributed to the Bank of Spain, the CNMV and the General Insurance and Pension Fund Department, and to autonomous entities with the power to organise and supervise insurance companies, respectively, as well as entities issuing securities admitted for trading in the alternative stock exchange market and belonging to the growing companies segment.

- Title II under this Law regulates the public supervision system and comprises four chapters. The public supervision application sphere is determined, under the full responsibility of the Accounting and Auditing Institute, the authority in charge of account auditing; this sphere is limited by the functions attributed to it and the parties involved. Apart from the current ones, new functions are added, as set forth by new regulations on audit market variation surveillance.

  However, the assignment to the CNMV of the supervisory competence with respect to functions attributed to account Audit Committees in public-interest entities is considered notwithstanding the competences attributed to the Accounting and Auditing Institute, as it is the only competent and ultimately accountable authority for the public supervision system, pursuant to the new article 32.4 *bis* of Directive 2014/56/EU of the European Parliament and of the Council, of 16 April 2014, amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

- The third additional provision regulates the Audit Committee of public-interest entities and states that the CNMV is in charge of supervising compliance with this additional provision, pursuant to Title VIII under Securities Market Law 24/1988, of 28 July. This competence is notwithstanding that held by the Accounting and Auditing Institute as to the supervision of the account auditing activity. As soon as possible, the CNMV shall specifically provide the Accounting and Auditing Institute with information – to be submitted to the Committee of European Auditing Oversight Bodies – on the penalties imposed through administrative proceedings on the Audit Committee's members referred to in this additional provision.

– The fourth additional provision refers to the cooperation and exchange of information between the National Markets and Competition Commission and other public bodies in the performance of competences related to the account auditing market.

– The fifth additional provision on the market variation report sets out that, before 17 June 2016 and at least every three years thereafter, the Accounting and Auditing Institute and the European Competition Network shall prepare a report on the market variations of statutory audit services rendered to public-interest entities and submit it to the Committee of European Auditing Oversight Bodies, the European Securities and Markets Authority, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the Commission.

– The seventh additional provision sets forth the coordination mechanisms with public bodies or institutions with control or inspection competences. The annual account auditors of entities other than public-interest entities subject to the supervision and control system attributed to the Bank of Spain, the CNMV and the General Insurance and Pension Fund Department, as well as the autonomous entities with the power to organise and supervise insurance companies, shall be required to immediately notify those competent public bodies or institutions, as applicable, about any event or decision related to the audited entity or institution that they may have become aware of during the performance of their functions.

– The first final provision amends the Commercial Code approved by the Royal Decree of 22 August 1885 in order to make it consistent with the amendments introduced, including, among others, the statement of changes in equity, which —like the statement of cash flows— shall not be mandatory for the entities preparing a summarised balance sheet.

– The second final provision amends Securities Market Law 24/1988, of 28 July. Subsection b) is added to article 100 under Securities Market Law 24/1988, of 28 July:

  – "b) The failure to prepare or publish the annual report on corporate governance or the annual report on directors' compensation, as referred to in articles 540 and 541, respectively, of the consolidated text of the Capital Companies Law, as approved by Royal Legislative Decree 1/2010, of 2 July, or the inclusion in those reports of omissions or false or misleading data; the failure to comply with the obligations under articles 512 through 517, 525.2, 526, 528, 529, 530, 531, 532, 533, 534, 538, 539, 540 and 541 of that Law; the failure by entities issuing securities admitted for trading in official secondary securities markets to have an audit committee and an appointment and compensation committee under the terms of articles 529 *quaterdecies* and *quindecies* of such Law or the failure to comply with the rules on structure and attribution of functions to those audit committees in public-interest entities regulated by such article 529 *quaterdecies*".

– The requirement of an Audit Committee for public-interest entities, pursuant to the requirements, exceptions, exemptions, structures and functions contained in Directive 2014/56/EU, of 16 April, is added to the text of the consolidated text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010, of 2 July, as amended by the fourth final provision.

– The consolidated text of the Account Auditing Law, approved by Royal Legislative Decree 1/2011, of 1 July, is abrogated.

– Finally, this Law provides as follows:

  – This Law shall become effective on 17 June 2016.

    Notwithstanding the previous comments, the provisions on the performance of account auditing tasks and the issuance of the relevant reports shall apply to the auditing tasks on annual accounts for fiscal years beginning as from that date, as well as other financial statements or accounting documentation for such fiscal year.

  – In addition, the following provisions shall become effective on the date following publication of this Law in the State Official Journal: the fourth additional provision related to the cooperation of the National Markets and Competition Commission.

  – On 1 January 2016, subsections 1 through 3 shall become effective, which refer to the modification of the stock and equity interest transfer system, subsections 7 through 11 on verification of annual accounts, and subsections 14 through 19 of final additional provision on the exclusion regime of preferential acquisition rights as part of a capital stock increase, convertible bonds and listed companies, as well as the role of the auditor in removing or excluding partners, amending the consolidated text of the Capital Companies Law.

  – The tenth additional provision (information on payments to Public Authorities), subsections 4 through 6, 12 and 13 of the fourth final provision (amending the consolidated text of the Capital Companies Law), the first final provision (amending the Commercial Code), the fifth final provision (amending the Corporate Tax Law) and the thirteenth final provision (Commercial Fund reserve legal regime) shall apply to the financial statements for the fiscal years beginning as from 1 January 2016.

– Law 25/2015, of 28 July, on second-chance mechanism and financial burden reduction and other social measures.

This Law sets forth the controls and guarantees required to avoid strategic insolvency or enable the selective provision of assets in lieu of payment. This allows a party who has lost everything after liquidation of its whole equity in favour of creditors to be released from most of its payables pending after such liquidation.

It softens out-of-court payment agreements, implements a debt-release system for debtor individuals as part of the bankruptcy proceeding and regulates the functions of insolvency mediation, insolvency mediators' compensation, the non-regulation of debtors' representation in consecutive bankruptcy, or the IT application to serve for solvency measurement purposes.

From the social perspective, it establishes a new incentive for the creation of stable employment, which consists in setting a minimum exempted amount in employers' social security contributions due to common contingencies for the indefinite hiring of workers, and sets social security benefits when the self-employed professional was required to meet family obligations that could affect his/her activity.

There are also certain tax measures aimed at reducing the tax burden of certain especially vulnerable groups, and individuals are released from the payment of jurisdictional power exercise rates.

The second additional provision of Bankruptcy Law is amended to express that Collective Investment Institutions Law 35/2003, of 4 November; Law 22/2014, of 12 November, regulating venture capital entities, other collective investment undertakings of the closed-end type and closed CII's management companies, and amending Collective Investment Institutions Law 35/2003, of 4 November; as well as the consolidated text of the Pension Fund and Plan Regulation Law, approved by Royal Legislative Decree 1/2002, of 29 November, constitute special legislation applicable in the event of bankruptcy in certain types of entities. This provision does not affect the current system since, as stated in the first subsection thereunder, upon the bankruptcy of these types of entities, the special characteristics set forth by specific legislation shall apply, as the case may be.

Title I under "Urgent measures for financial burden reduction" contains three amending articles that rewrite certain provisions in other legal regulations: Bankruptcy Law 22/2003, of 9 July; Royal Decree-Law 6/2012, of 9 March, on urgent measures for the protection of non-recourse mortgage debtors; and Law 1/2013, of 14 May, on measures to reinforce the protection of mortgage debtors, debt restructuring and rental housing.

A technical improvement was introduced in the current literature of article 35 of the Basic Law Statute of Public Employment which, upon regulating the structure and creation of negotiating tables, refers in its current version only to the issues affecting civil servants, whilst such regulation should also comprise the common issues applicable to civil servants, statutory staff and employees. The purpose is to provide legal support to what is a common practice in collective bargaining: an overall and group bargaining for the different types of Administration staff.

Title II includes social measures.

The final provisions comprise the following amendments:

- The second final provision, which amended Collective Investment Institutions Law 35/2003, of 4 November, amending the title of article 54 *bis* and its subsections 1 and 2, and the title of article 55 *bis* and its subsections 1 and 5 under Collective Investment Institutions Law 35/2003. This refers to the conditions for CII cross-border management and for the provision of services in other Member States by management companies authorised in Spain, pursuant to Directive 2011/61/EU of the European Parliament and of the Council, of 8 June 2011. In addition, an amendment was introduced to the conditions for the management of Spanish CIIs and for the provision of services in Spain by management companies regulated by Directive 2011/61/EU of the European Parliament and of the Council, of 8 June 2011, and authorised in another European Union Member State.

- The third final provision amended General Budget Law 47/2003, of 26 November. The bodies and entities comprised in the state public sector – except for the Official Credit Institute – shall submit to financial prudence principles set by the Government's Economic Affairs Committee. The principles established for entities and bodies other than state business listed companies whose shares are subject to trading in an official secondary securities market shall refer at least to the financial cost caps to which those credit transactions may be entered into, as well as the restrictions on the use of financial derivatives.

- The fourth final provision amended Electronic Signature Law 59/2003, of 19 December.

- The seventh final provision amended the consolidated text of the Public Sector Contract Law approved by Royal Legislative Decree 3/2011, of 14 November.

- In addition, the eleventh final provision amended Law 14/2013, of 27 September, on the support of entrepreneurs and their internationalisation. As to Law 14/2013, of 27 September, on the support of entrepreneurs and their internationalisation, there are certain novelties with respect to the regime, duration and method for visa application and residence authorisations of entrepreneurs, investors and their relatives, the method for investment crediting and the concept of entrepreneurship; in addition, Directive 2014/66/EU of the European Parliament and of the Council, of 15 May 2014, amending the conditions of residence in the framework of an intra-corporate transfer was incorporated into Spanish law.

– Finally, the thirteenth final provision amended Law 22/2014, of 12 November, regulating venture capital entities, other collective investment undertakings of the closed-end type (Spanish acronym: EICC) and closed CII's management companies, as well as Collective Investment Institutions Law 35/2003, of 4 November. In the same sense as the second final provision, the conditions for VCE and EICCs cross-border management and for the provision of services in other Member States by management companies authorised in Spain were amended, pursuant to Directive 2011/61/EU of the European Parliament and of the Council, of 8 June 2011. Following the previous comments, an amendment was introduced to the conditions for the management of Spanish VCEs and EICCs and for the provision of services in Spain by management companies regulated by Directive 2011/61/EU of the European Parliament and of the Council, of 8 June 2011, and authorised in another European Union Member State.

Based on the regulation abrogating this Law 25/2015, the provisions with an equal or lower rank that are contrary to this Law shall be abrogated, specifically article 6.2 of Decree 2766/1967, of 16 November, which regulated health assistance benefits and the organisation of medical services in the General Social Security System, and Royal Decree 1564/1998, of 17 July, which regulated the special health assistance agreement in favour of Spanish workers performing activities on their own account in a foreign country.

– Law 29/2015, of 30 July, on international legal cooperation in civil matters.

This Law regulates the international legal cooperation among Spanish and foreign authorities. This Law is applied to civil and commercial matters, notwithstanding the nature of the jurisdictional body, including the civil liability arising from crimes and employment contracts, and it arises from a general principle that favours the broad development of international legal cooperation, even upon the lack of reciprocity, with the possibility of denying such international legal cooperation upon the repeated refusal to provide cooperation or the statutory prohibition to do so. Thus priority is given to the interests of citizens in the guarantee and protection of their rights, including the right to effective court protection, regardless of the more or less cooperative attitude of certain States, which shall never imply an obstacle to offering reciprocity as a good practice. These premises assume the general duty of cooperation arising from general international law.

In view of the importance of direct court communications within the context of international legal cooperation, the Law chooses to authorise all Spanish jurisdictional bodies to communicate with no intermediation with the jurisdictional bodies of other states within the boundaries of observance of both States' legal regulations and judicial independence.

The concept of international legal cooperation is used in a broad sense in this Law, which allows including matters that, as in the case of international *lis pendens* and related actions, the acknowledgement and enforcement of decisions or foreign law information and evidence, in a strict sense, are excluded from the abovementioned concept and have been traditionally regulated in other legal frameworks, such as the Law on Civil Proceedings or the Judicial Power Organic Law.

European regulations

– Regulation (EU) 2015/848 of the European Parliament and of the Council, of 20 May 2015, on insolvency proceedings.

  This Implementing Regulation (EU) 2015/848 is mainly aimed at improving the efficiency and effectiveness of cross-border insolvency proceedings.

– Commission Implementing Regulation (EU) 2015/880, of 4 June 2015, on the extension of the transitional periods related to own funds requirements for exposures to central counterparties set out in Regulations (EU) No. 575/2013 and (EU) No. 648/2012 of the European Parliament and of the Council.

  This Implementing Regulation (EU) 2015/880 extends by six months the transitional periods related to own funds requirements for exposures to central counterparties set out in Regulations (EU) No. 575/2013 and (EU) No. 648/2012 of the European Parliament and of the Council.

– Implementing Regulation (EU) 2015/1278, of 9 July 2015, amending Implementing Regulation (EU) No. 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions as regards instructions, templates and definitions.

  This Implementing Regulation (EU) 2015/1278 provides more accuracy to the instructions, templates and definitions used for supervisory reporting purposes.

IV Statistics annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

				2014		2015		
	2012	2013	2014	III	IV	I	II	III[2]
NO. OF ISSUERS								
Total	30	39	49	25	22	23	21	22
Capital increases	30	39	47	24	21	21	18	21
Primary offerings	3	5	6	2	0	0	0	0
Bonus issues	16	16	19	12	10	7	5	7
Of which, scrip dividend	12	9	12	9	7	6	4	4
Capital increases by conversion[3]	11	14	11	4	6	6	5	4
For non-monetary consideration[4]	6	4	4	3	2	3	1	1
With pre-emptive subscription rights	6	6	5	1	2	1	5	6
Without trading warrants	2	15	16	7	4	6	3	4
Secondary offerings	3	0	4	1	1	2	3	1
NO. OF ISSUES								
Total	95	145	147	39	33	31	27	25
Capital increases	92	145	140	37	31	29	23	24
Primary offering	3	5	8	2	0	0	0	0
Bonus issues	24	38	37	12	11	7	5	7
Of which, scrip dividend	18	20	28	9	8	6	4	4
Capital increases by conversion[3]	39	50	43	8	11	9	8	6
For non-monetary consideration[4]	16	17	9	4	2	3	2	1
With pre-emptive subscription rights	6	6	5	1	2	1	5	6
Without trading warrants	4	29	38	10	5	9	3	4
Secondary offerings	3	0	7	2	2	2	4	1
CASH VALUE (million euro)								
Total	29,521.6	39,126.2	32,762.4	5,863.5	13,009.8	15,311.4	13,950.8	4,371.3
Capital increases	28,290.2	39,126.2	27,875.5	5,345.8	9,876.9	11,001.8	11,363.1	3,607.4
Primary offerings	2,450.5	1,742.8	2,951.5	401.5	0.0	0.0	0.0	0.0
Bonus issues	8,424.2	9,932.8	12,650.8	3,008.7	4,335.0	2,829.6	4,671.1	1,318.2
Of which, scrip dividend	8,357.9	9,869.4	12,573.8	2,931.7	4,335.0	2,829.6	4,671.1	1,318.2
Capital increases by conversion[3]	10,982.4	7,478.8	3,757.9	1,227.5	35.1	412.1	433.7	516.7
For non-monetary consideration[4]	1,867.5	231.6	2,814.5	314.7	2,497.3	242.4	234.7	0.2
With pre-emptive subscription rights	4,560.6	11,463.1	2,790.8	50.5	1,002.1	6.2	5,683.2	1,326.3
Without trading warrants	5.0	8,277.1	2,909.9	342.9	2,007.4	7,511.5	340.4	445.9
Secondary offerings	1,231.4	0.0	4,886.9	517.7	3,132.9	4,309.5	2,587.7	763.9
NOMINAL VALUE (million euro)								
Total	4,704.2	20,135.9	4,768.5	994.4	1,159.7	1,675.2	1,124.7	782.8
Capital increases	4,593.6	20,135.9	4,472.6	986.4	881.2	965.4	1,070.7	541.6
Primary offerings	613.0	988.2	626.7	364.2	0.0	0.0	0.0	0.0
Bonus issues	1,076.5	1,458.6	1,258.2	243.9	430.5	241.2	172.2	261.2
Of which, scrip dividend	929.2	1,208.3	1,110.0	234.0	421.5	240.4	171.8	110.0
Capital increases by conversion[3]	678.0	3,721.0	819.7	204.5	4.6	12.7	9.7	20.3
For non-monetary consideration[4]	452.1	60.3	311.0	125.5	185.5	94.4	0.8	0.0
With pre-emptive subscription rights	1,770.4	8,021.7	1,185.7	21.6	135.9	6.2	860.1	239.2
Without trading warrants	3.6	5,886.0	271.3	26.8	124.8	610.9	27.7	20.9
Secondary offerings	110.6	0.0	295.9	8.0	278.5	709.8	54.0	241.2
***Pro memoria:* transactions MAB[5]**								
No. of issuers	9	7	9	5	1	5	1	1
No. of issues	11	14	12	5	1	5	1	1
Cash value (million euro)	35.8	45.7	107.3	53.3	0.7	10.4	1.9	21.1
Capital increases	35.8	45.7	107.3	53.3	0.7	10.4	1.9	21.1
Of which, primary offerings	6.8	1.8	5.0	0.0	0.0	0.0	0.0	0.0
Secondary offerings	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: August 2015.
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

	2012	2013	2014	2014 III	IV	2015 I	II	III[2]
Total electronic market[3]	127	123	129	129	129	129	132	132
Of which, without Nuevo Mercado	127	123	129	129	129	129	132	132
Of which, Nuevo Mercado	0	0	0	0	0	0	0	0
Of which, foreign companies	7	7	8	8	8	8	8	7
Second Market	8	7	6	7	6	5	5	5
Madrid	2	2	2	2	2	2	2	2
Barcelona	6	5	4	5	4	3	3	3
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry ex SICAVs	23	23	20	20	20	20	19	19
Madrid	11	11	9	9	9	9	9	9
Barcelona	13	13	12	12	12	12	11	11
Bilbao	7	7	7	7	7	7	7	7
Valencia	4	4	4	4	4	4	4	4
Open outcry SICAVs	0	0	0	0	0	0	0	0
MAB[4]	3,015	3,066	3,269	3,220	3,270	3,295	3,343	3,381
Latibex	27	26	26	26	26	24	24	24

1 Data at the end of period.
2 Available data: August 2015.
3 Without ETFs (Exchange Traded Funds).
4 Alternative Stock Market.

Capitalisation[1]

TABLE 1.3

Million euro	2012	2013	2014	2014 III	IV	2015 I	II	III[2]
Total electronic market[3]	532,039.7	705,162.3	735,317.8	777,202.8	735,317.8	873,326.5	831,537.6	798,387.8
Of which, without Nuevo Mercado	532,039.7	705,162.3	735,317.8	777,202.8	735,317.8	873,326.5	831,537.6	798,387.8
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies[4]	99,072.0	141,142.4	132,861.1	142,761.6	132,861.1	165,865.1	155,748.9	145,268.2
Ibex 35	324,442.0	430,932.9	479,378.5	489,544.0	479,378.5	552,490.4	524,207.8	502,309.4
Second Market	20.6	67.5	30.2	32.9	30.2	18.8	21.1	23.3
Madrid	20.3	18.3	15.8	18.5	15.8	18.8	21.1	23.3
Barcelona	0.3	49.3	14.4	14.4	14.4	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	3,233.0	2,906.2	2,466.6	2,102.4	2,466.6	2,647.5	1,094.0	1,135.9
Madrid	667.1	519.4	376.5	396.8	376.5	364.1	353.1	366.3
Barcelona	2,945.9	2,749.5	2,356.5	2,006.5	2,356.5	2,492.0	945.3	983.7
Bilbao	77.8	183.6	162.5	171.0	162.5	243.3	1,086.5	166.3
Valencia	350.9	342.5	326.4	329.9	326.4	219.7	218.0	219.0
Open outcry SICAVs[5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB[5, 6]	24,606.7	32,171.2	34,306.0	33,782.2	34,306.0	36,936.9	37,432.7	36,430.2
Latibex	350,635.5	270,926.9	286,229.2	300,549.1	286,229.2	217,888.1	287,640.4	177,896.1

1 Data at the end of period.
2 Available data: August 2015.
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	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
Total electronic market[2]	691,558.3	693,168.0	864,443.5	191,971.3	265,769.1	254,754.3	253,265.5	155,531.3
Of which, without Nuevo Mercado	691,558.3	693,168.0	864,443.5	191,971.3	265,769.1	254,754.3	253,265.5	155,531.3
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies	4,102.1	5,640.5	14,508.9	3,681.8	5,123.2	3,730.2	6,520.4	961.0
Second Market	0.4	1.7	0.7	0.2	0.1	0.5	9.7	3.4
Madrid	0.4	1.4	0.5	0.1	0.1	0.5	9.7	3.4
Barcelona	0.0	0.3	0.2	0.2	0.0	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	49.9	51.4	92.5	39.1	25.6	16.5	203.3	1.6
Madrid	3.0	7.3	32.6	27.1	0.8	6.5	1.1	0.2
Barcelona	37.7	44.1	45.2	12.0	24.6	7.2	202.2	1.4
Bilbao	8.5	0.1	14.3	0.0	0.1	2.8	0.0	0.0
Valencia	0.7	0.0	0.3	0.0	0.1	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]	4,329.6	5,896.3	7,723.3	1,704.3	1,828.7	1,944.0	1,621.4	856.2
Latibex	313.2	367.3	373.1	76.6	82.5	85.4	67.6	43.0

1 Available data: August 2015.
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	2012	2013	2014	2014 III	IV	2015 I	II	III[2]
Regular trading	658,891.4	668,553.2	831,962.6	187,072.7	255,192.6	235,615.5	245,715.4	153,830.3
Orders	299,022.0	346,049.6	453,294.9	102,588.5	129,043.8	138,080.4	123,180.8	76,356.6
Put-throughs	80,617.0	56,565.3	73,056.9	16,303.0	20,383.4	23,217.1	25,477.2	17,605.1
Block trades	279,252.4	265,938.3	305,610.8	68,181.2	105,765.4	74,318.1	97,057.4	59,868.6
Off-hours	9,630.0	7,654.7	7,568.8	534.0	271.4	1,750.5	941.4	209.5
Authorised trades	7,936.9	4,839.9	7,808.9	1,574.6	4,157.9	11,316.1	1,219.3	660.4
Art. 36.1 SML trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	9.6	326.5	175.3	0.0	82.5	13.8	3,183.0	173.6
Public offerings for sale	0.0	396.1	6,143.4	517.7	3,132.9	4,266.8	0.0	0.0
Declared trades	545.0	379.7	410.9	0.0	1.1	0.0	190.0	13.6
Options	9,603.4	7,083.5	6,954.1	1,489.5	2,025.4	1,254.5	1,420.5	288.5
Hedge transactions	4,942.0	3,934.4	3,419.5	782.7	905.2	537.0	596.0	355.5

1 Without ETFs (Exchange Traded Funds).
2 Available data: August 2015.

Margin trading for sales and securities lending

TABLE 1.6

Million euro	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
TRADING								
Securities lending[2]	395,859.3	464,521.5	599,051.5	140,620.0	168,469.0	161,106.1	201,952.7	132,508.3
Margin trading for sales of securities[3]	199.2	326.8	357.9	103.6	81.0	108.0	63.2	7.0
Margin trading for securities purchases[3]	44.4	34.1	16.2	1.2	4.8	2.4	3.7	0.3
OUTSTANDING BALANCE								
Securities lending[2]	34,915.1	43,398.9	61,076.1	53,174.3	61,076.1	74,304.7	76,628.8	76,547.3
Margin trading for sales of securities[3]	1.2	7.3	6.4	12.1	6.4	17.4	9.4	0.2
Margin trading for securities purchases[3]	2.5	0.6	0.4	0.1	0.4	0.5	0.6	0.0

1 Available data: August 2015.
2 Regulated by Article 36.7 of the Securities Market Law and Order ECO/764/2004.
3 Transactions performed in accordance with Ministerial Order dated 25 March 1991 on the margin system in spot transactions.

1.2 Fixed-income

Gross issues registered at the CNMV

TABLE 1.7

	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
NO. OF ISSUERS								
Total	71	49	46	18	21	17	18	10
Mortgage covered bonds	26	12	13	6	3	8	5	4
Territorial covered bonds	11	5	3	1	0	1	2	0
Non-convertible bonds and debentures	24	11	16	10	10	9	8	6
Convertible bonds and debentures	3	4	1	0	0	0	0	0
Backed securities	16	18	13	3	7	1	5	2
Commercial paper	35	20	18	4	4	6	3	2
Of which, asset-backed	1	0	1	0	0	1	0	0
Of which, non-asset-backed	34	20	17	4	4	5	3	2
Other fixed-income issues	0	0	0	0	0	0	0	0
Preference shares	0	0	0	0	0	0	0	0
NO. OF ISSUES								
Total	349	297	662	182	217	92	128	57
Mortgage covered bonds	94	40	27	6	7	9	9	5
Territorial covered bonds	18	6	3	1	0	1	3	0
Non-convertible bonds and debentures	134	170	578	165	188	74	104	46
Convertible bonds and debentures	7	8	1	0	0	0	0	0
Backed securities	50	53	35	6	18	2	9	4
Commercial paper[2]	46	20	18	4	4	6	3	2
Of which, asset-backed	1	0	1	0	0	1	0	0
Of which, non-asset-backed	45	20	17	4	4	5	3	2
Other fixed-income issues	0	0	0	0	0	0	0	0
Preference shares	0	0	0	0	0	0	0	0
NOMINAL AMOUNT (million euro)								
Total	357,830.2	138,838.6	130,258.4	19,886.5	62,345.3	36,632.8	31,206.2	12,335.3
Mortgage covered bonds	102,170.0	24,799.7	23,838.0	3,750.0	5,638.0	8,300.0	8,025.0	5,050.0
Territorial covered bonds	8,974.0	8,115.0	1,853.3	135.0	0.0	3,500.0	3,500.0	0.0
Non-convertible bonds and debentures	86,441.5	32,536.9	41,154.7	2,536.3	28,025.2	13,900.7	3,961.2	1,449.6
Convertible bonds and debentures	3,563.1	803.3	750.0	0.0	0.0	0.0	0.0	0.0
Backed securities	23,799.6	28,592.9	29,008.0	7,640.0	15,663.0	3,000.0	11,773.3	1,950.0
Spanish tranche	20,627.1	24,980.1	26,972.1	7,550.0	14,460.0	3,000.0	9,506.5	1,950.0
International tranche	3,172.5	3,612.8	2,035.9	90.0	1,203.0	0.0	2,266.8	0.0
Commercial paper[3]	132,882.0	43,990.8	33,654.4	5,825.2	13,019.1	7,932.2	3,946.7	3,885.7
Of which, asset-backed	1,821.0	1,410.0	620.0	0.0	0.0	940.0	480.0	0.0
Of which, non-asset-backed	131,061.0	42,580.8	33,034.4	5,825.2	13,019.1	6,992.2	3,466.7	3,885.7
Other fixed-income issues	0.0	0.0	0.0	0.0	0.0	0.0	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	7,633.5	4,776.0	7,999.3	1,545.0	4,210.5	660.0	1,810.0	741.6
Underwritten issues	0.0	193.0	195.8	0.0	0.0	0.0	0.0	0.0

1 Available data: August 2015.
2 Shelf registrations.
3 The figures for commercial paper refer to the amount placed.

Issues admitted to trading on AIAF[1]

TABLE 1.8

Nominal amount in million euro	2012	2013	2014	2014 III	IV	2015 I	II	III[2]
Total	363,944.5	130,467.7	114,956.4	20,870.7	36,402.0	56,856.7	29,662.7	18,907.9
Commercial paper	134,346.9	45,228.6	33,493.1	5,734.9	12,970.2	7,533.0	4,530.8	3,991.0
Bonds and debentures	92,725.5	22,414.4	25,712.5	2,365.8	1,880.8	39,523.8	3,273.1	1,817.6
Mortgage covered bonds	103,470.0	25,399.7	24,438.0	3,500.0	5,888.0	6,300.0	10,025.0	4,050.0
Territorial covered bonds	8,974.0	8,115.0	1,853.3	135.0	0.0	3,500.0	500.0	3,000.0
Backed securities	24,428.1	29,309.9	29,459.5	9,135.0	15,663.0	0.0	11,333.8	6,049.3
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Matador bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Includes only corporate bonds.
2 Available data: August 2015.

AIAF. Issuers, issues and outstanding balance

TABLE 1.9

	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
NO. OF ISSUERS								
Total	568	493	465	482	465	443	417	419
Corporate bonds	568	492	464	481	464	442	416	418
Commercial paper	42	30	19	20	19	17	16	16
Bonds and debentures	95	91	79	86	79	76	73	73
Mortgage covered bonds	49	48	49	49	49	47	45	44
Territorial covered bonds	18	12	9	10	9	9	10	9
Backed securities	385	341	329	333	329	316	297	299
Preference shares	60	34	23	31	23	16	13	13
Matador bonds	11	9	9	9	9	9	9	9
Government bonds	–	1	1	1	1	1	1	1
Letras del Tesoro	–	1	1	1	1	1	1	1
Long Government bonds	–	1	1	1	1	1	1	1
NO. OF ISSUES								
Total	4,907	3,345	2,857	2,877	2,857	2,771	2,732	2,723
Corporate bonds	4,907	3,192	2,694	2,712	2,694	2,609	2,537	2,531
Commercial paper	2,529	1,130	456	545	456	399	380	372
Bonds and debentures	558	495	786	682	786	822	826	843
Mortgage covered bonds	328	283	256	262	256	244	241	239
Territorial covered bonds	52	39	34	36	34	35	31	32
Backed securities	1,334	1,188	1,120	1,133	1,120	1,084	1,034	1,020
Preference shares	94	47	33	44	33	22	16	16
Matador bonds	12	10	9	10	9	9	9	9
Government bonds	–	153	163	165	163	162	195	192
Letras del Tesoro	–	12	12	12	12	12	12	12
Long Government bonds	–	141	151	153	151	150	183	180
OUTSTANDING BALANCE[2] (million euro)								
Total	879,627.5	1,442,270.2	1,374,947.5	1,405,130.1	1,374,947.5	1,381,434.3	1,390,566.9	1,396,571.3
Corporate bonds	879,627.5	708,601.8	581,825.3	619,043.1	581,825.3	575,524.0	563,727.9	566,270.1
Commercial paper	64,927.5	28,816.3	20,361.6	15,647.3	20,361.6	15,993.3	15,827.3	14,596.7
Bonds and debentures	161,225.4	132,076.6	74,076.5	110,385.6	74,076.5	96,235.0	95,543.4	96,012.1
Mortgage covered bonds	293,142.8	246,967.9	208,314.2	216,445.2	208,314.2	195,042.2	194,646.4	196,146.4
Territorial covered bonds	33,314.3	29,793.5	24,671.3	25,268.3	24,671.3	28,171.3	22,971.3	25,521.3
Backed securities	315,373.5	269,176.8	253,045.1	249,638.1	253,045.1	238,823.6	233,535.7	232,791.6
Preference shares	10,813.4	1,076.2	782.1	964.1	782.1	684.2	629.6	627.6
Matador bonds	830.7	694.6	574.4	694.6	574.4	574.4	574.4	574.4
Government bonds	–	733,668.3	793,122.3	786,087.0	793,122.3	805,910.3	826,838.9	830,301.2
Letras del Tesoro	–	89,174.4	77,926.1	77,128.8	77,926.1	77,345.3	78,127.0	81,473.1
Long Government bonds	–	644,493.9	715,196.2	708,958.3	715,196.2	728,565.0	748,711.9	748,828.0

1 Available data: August 2015.
2 Nominal amount.

AIAF. Trading

TABLE 1.10

Nominal amount in million euro	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
BY TYPE OF ASSET								
Total	3,119,755.1	1,400,757.7	1,118,963.7	204,278.0	159,334.8	157,221.6	174,511.7	58,869.2
Corporate bonds	3,119,755.1	1,400,601.6	1,118,719.6	204,205.1	159,285.8	157,106.4	174,451.0	58,845.7
Commercial paper	199,794.9	112,559.8	48,817.3	10,327.5	6,946.5	8,732.7	7,591.7	5,006.2
Bonds and debentures	164,098.6	295,191.7	269,659.8	52,855.8	18,237.2	33,521.9	24,757.5	3,752.1
Mortgage covered bonds	994,071.3	341,674.0	376,273.3	76,429.9	87,420.6	64,085.0	52,685.2	22,754.0
Territorial covered bonds	595,599.6	86,758.6	82,023.2	9,958.1	6,497.2	6,355.8	20,787.2	3,738.3
Backed securities	1,136,966.1	538,064.8	341,827.8	54,601.2	40,160.2	44,392.1	68,590.5	23,565.2
Preference shares	28,781.3	26,256.0	97.7	18.5	22.8	16.6	12.9	5.8
Matador bonds	443.2	96.7	20.5	14.2	1.2	2.4	26.1	24.0
Government bonds	–	156.1	244.1	72.9	49.1	115.2	60.7	23.5
Letras del Tesoro	–	11.6	30.7	7.5	13.5	13.4	8.4	8.2
Long Government bonds	–	144.4	213.4	65.4	35.6	101.8	52.3	15.2
BY TYPE OF TRANSACTION								
Total	3,119,755.1	1,400,757.6	1,118,963.7	204,278.0	159,334.8	157,221.6	174,511.7	58,869.2
Outright	428,838.0	290,633.0	396,341.0	99,239.3	109,693.9	78,416.1	64,054.0	28,414.4
Repos	108,771.9	69,063.3	29,800.4	6,114.3	7,144.5	4,671.4	3,205.6	1,914.5
Sell-buybacks/Buy-sellbacks	2,582,145.2	1,041,061.3	692,822.2	98,924.4	42,496.4	74,134.2	107,252.1	28,540.3

1 Available data: August 2015.

AIAF. Third-party trading. By purchaser sector

TABLE 1.11

Nominal amount in million euro	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
Total	454,385.7	275,939.0	262,527.8	55,628.8	72,571.7	49,901.5	51,803.8	26,801.0
Non-financial companies	77,452.1	45,351.7	30,843.4	6,253.9	6,572.7	8,496.7	6,768.9	39.4
Financial institutions	282,733.9	163,671.3	132,114.5	29,701.8	37,509.2	25,238.1	30,071.1	11,829.1
Credit institutions	207,555.6	97,674.3	87,475.6	22,000.3	22,436.1	20,653.8	23,260.4	9,325.7
IICs,[2] insurance and pension funds	69,568.7	59,371.8	34,205.9	6,802.1	9,174.5	2,066.5	2,074.0	461.6
Other financial institutions	5,609.6	6,625.2	10,433.1	899.3	5,898.6	2,517.8	4,736.6	2,041.8
General government	5,448.2	2,438.8	5,067.3	586.3	2,164.9	2,313.0	2,374.3	4,389.7
Households and NPISHs[3]	11,517.9	8,598.4	2,861.8	415.1	652.9	441.3	286.7	489.9
Rest of the world	77,233.7	55,878.8	91,640.7	18,671.7	25,672.0	13,412.4	12,302.8	10,053.0

1 Available data: August 2015.
2 IICs: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.
3 Non-profit institutions serving households.

Issues admitted to trading on equity markets[1]

TABLE 1.12

	2012	2013	2014	2014 III	IV	2015 I	II	III[2]
NOMINAL AMOUNTS (million euro)								
Total	7,522.0	779.3	0.0	0.0	0.0	0.0	0.0	0.0
Non-convertible bonds and debentures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Convertible bonds and debentures	7,522.0	779.3	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NO. OF ISSUES								
Total	7	2	0	0	0	0	0	0
Non-convertible bonds and debentures	0	0	0	0	0	0	0	0
Convertible bonds and debentures	7	2	0	0	0	0	0	0
Backed securities	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0

1 Includes only corporate bonds.
2 Available data: August 2015

Equity markets. Issuers, issues and outstanding balances

TABLE 1.13

	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
NO. OF ISSUERS								
Total	52	40	28	34	28	27	24	23
Private issuers	39	27	17	21	17	16	13	12
Non-financial companies	3	2	0	1	0	0	0	0
Financial institutions	36	25	17	20	17	16	13	12
General government[2]	13	13	11	13	11	11	11	11
Regional governments	3	3	3	3	3	3	3	3
NO. OF ISSUES								
Total	220	197	165	183	165	148	133	124
Private issuers	122	89	65	76	65	58	52	48
Non-financial companies	3	2	0	1	0	0	0	0
Financial institutions	119	87	65	75	65	58	52	48
General government[2]	98	108	100	107	100	90	81	76
Regional governments	67	64	56	60	56	45	37	33
OUTSTANDING BALANCES[3] (million euro)								
Total	37,636.4	25,284.5	16,800.4	17,533.6	16,800.4	18,984.0	17,377.9	16,485.0
Private issuers	13,625.4	8,317.5	3,401.2	3,760.5	3,401.2	5,959.1	5,810.7	5,200.5
Non-financial companies	194.9	2.0	0.0	0.0	00	0.0	0.0	0.0
Financial institutions	13,430.6	8,315.5	3,401.2	3,760.4	3,401.2	5,959.1	5,810.7	5,200.5
General government[2]	24,010.9	16,967.0	13,399.2	13,773.2	13,399.2	13,024.9	11,567.2	11,284.5
Regional governments	22,145.0	15,716.3	12,227.2	12,496.3	12,227.2	11,826.8	10,491.6	10,231.3

1 Available data: August 2015.
2 Without public book-entry debt.
3 Nominal amount.

Trading on equity markets

TABLE 1.14

Nominal amounts in million euro	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
Electronic market	1,198.3	1,592.6	861.2	5.0	16.3	7.9	5.8	2.9
Open outcry	3,746.6	3,388.3	5,534.0	25.1	4,854.5	371.9	166.9	55.7
Madrid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barcelona	3,407.8	3,197.4	5,527.0	24.5	4,854.5	371.9	166.9	55.7
Bilbao	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	338.7	190.9	7.0	0.6	0.0	0.0	0.0	0.0
Public book-entry debt	1,189.0	137.1	0.0	0.0	0.0	0.0	0.0	0.0
Regional governments debt	54,015.1	41,062.2	42,677.2	18,212.5	8,144.7	8,695.0	8,408.1	1,380.1

1 Available data: August 2015.

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

TABLE 1.15

Nominal amounts in million euro	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
Total	40,034.0	64,011.0	103,044.0	25,998.0	22,448.0	25,001.0	19,846.0	14,002.0
Outright	40,034.0	64,011.0	103,044.0	25,998.0	22,448.0	25,001.0	19,846.0	14,002.0
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: August 2015.

1.3 Derivatives and other products

1.3.1 Financial derivatives markets: MEFF

Trading on MEFF

TABLE 1.16

Number of contracts	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
Debt products	45,240	13,667	4,690	1,356	1,643	3,161	3,035	253
Debt futures[2]	45,240	13,667	4,690	1,356	1,643	3,161	3,035	253
Ibex 35 products[3, 4]	5,410,311	6,416,073	7,728,494	1,807,250	2,222,335	2,049,373	2,086,612	1,301,617
Ibex 35 plus futures	4,745,067	5,578,607	6,924,068	1,638,231	2,022,888	1,862,228	1,909,834	1,212,873
Ibex 35 mini futures	242,477	198,736	304,891	70,135	102,907	85,381	81,209	53,273
Ibex 35 dividend impact futures	2,162	3,520	23,939	11,817	4,564	12,672	1,775	51
Call mini options	225,704	308,084	302,255	59,376	55,979	59,843	41,718	23,128
Put mini options	194,902	327,126	173,342	27,692	35,997	29,249	26,732	12,293
Stock products[5]	55,753,236	35,884,393	27,697,961	5,106,522	6,224,051	6,240,356	12,641,497	1,860,665
Futures	21,220,876	14,927,659	12,740,105	2,302,945	2,353,599	3,659,690	2,616,035	448,100
Stock dividend futures	25,000	66,650	236,151	46,001	124,960	57,328	75,637	45,020
Call options	14,994,283	10,534,741	5,773,662	1,224,941	1,440,185	1,180,078	1,114,025	618,333
Put options	19,513,077	10,355,343	8,948,043	1,532,635	2,305,308	1,343,260	1,401,764	749,212
***Pro-memoria:* MEFF trading on Eurex**								
Debt products[6]	161,376	167,827	172,883	28,097	50,083	40,474	55,580	11,496
Index products[7]	266,422	111,924	56,356	12,740	14,797	15,169	15,682	4,773

1 Available data: August 2015.
2 Contract size: 100 thousand euros.
3 The number of Ibex 35 mini futures (multiples of 1 euro) was standardised to the size of the Ibex 35 plus futures (multiples of 10 euro).
4 Contract size: Ibex 35, 10 euros.
5 Contract size: 100 Stocks.
6 Bund, Bobl and Schatz futures.
7 Dax 30, DJ EuroStoxx 50 and DJ Stoxx 50 futures.

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

Issues registered at the CNMV

TABLE 1.17

				2014		2015		
	2012	2013	2014	III	IV	I	II	III[1]
WARRANTS[2]								
Premium amount (million euro)	3,834.3	3,621.2	3,644.2	583.2	747.9	1,115.3	574.7	524.9
On stocks	2,231.7	2,211.8	1,770.9	364.8	351.0	606.1	295.8	282.3
On indexes	1,273.5	1,122.6	1,697.3	183.6	352.4	428.5	242.9	227.9
Other underlyings[3]	329.1	286.8	176.0	34.9	44.5	80.7	36.1	14.6
Number of issues	7,073	8,347	8,574	1,919	1,914	2,834	1,611	1,272
Number of issuers	7	7	6	5	5	6	4	5
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On indexes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other underlyings[3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of issues	0	0	0	0	0	0	0	0
Number of issuers	0	0	0	0	0	0	0	0

1 Available data: August 2015.
2 Includes issuance and trading prospectuses.
3 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.

Equity markets. Warrants and ETF trading

TABLE 1.18

				2014		2015		
	2012	2013	2014	III	IV	I	II	III[1]
WARRANTS								
Trading (million euro)	762.9	752.7	817.7	186.0	208.1	335.2	304.4	178.1
On Spanish stocks	349.0	379.4	379.8	72.4	79.0	96.9	82.7	44.5
On foreign stocks	87.6	86.3	51.2	9.5	9.9	22.6	18.7	10.0
On indexes	268.6	255.4	364.3	100.2	112.6	202.6	193.1	118.2
Other underlyings[2]	57.7	31.6	22.4	3.9	6.8	13.2	9.9	5.3
Number of issues[3]	7,419	7,299	7,612	2,854	3,256	3,463	3,277	2,462
Number of issuers[3]	10	8	8	7	7	7	7	8
CERTIFICATES								
Trading (million euro)	16.8	1.0	1.7	0.1	0.2	0.1	0.0	0.5
Number of issues[3]	4	2	2	2	2	2	2	2
Number of issuers[3]	2	1	1	1	1	1	1	1
ETFs								
Trading (million euro)	2,935.7	2,736.0	9,849.5	2,476.1	2,781.9	3,159.8	3,263.8	2,685.8
Number of funds	74	72	70	70	70	70	69	69
Assets[4] (million euro)	274.7	382.0	436.1	446.0	436.0	520.0	551.0	n. a.

1 Available data: August 2015.
2 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.
3 Issues or issuers which were traded in each period.
4 Assets from national collective investment schemes are only included because assets from foreign ones are not available.

1.3.3 Non-financial derivatives

Trading on MFAO[1]

TABLE 1.19

				2014		2015		
Number of contracts	2012	2013	2014	III	IV	I	II	III[2]
On olive oil								
Extra-virgin olive oil futures[3]	78,566	88,605	38,964	15,030	3,103	0	0	0

1 Olive oil futures market.
2 Available data: August 2015.
3 Nominal amount of the contract: 1,000 kg.

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
BROKER-DEALERS								
Spanish firms	46	41	40	41	40	38	38	38
Branches	16	20	22	22	22	21	21	24
Agents	6,264	6,269	6,096	6,298	6,096	6,116	6,268	6,353
BROKERS								
Spanish firms	41	41	38	40	38	37	37	38
Branches	12	11	21	16	21	19	19	19
Agents	590	520	462	483	462	466	473	477
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	6	5	5	5	5	5	4	4
Branches	5	5	5	5	5	5	5	5
Agents	2	1	1	1	1	1	1	1
FINANCIAL ADVISORY FIRMS								
Spanish firms	101	126	143	138	143	143	149	150
Branches	5	9	11	10	11	11	12	12
CREDIT INSTITUTIONS[2]								
Spanish firms	147	141	137	139	137	137	134	134

1 Available data: August 2015.
2 Source: Banco de España.

Investment services. Foreign firms

TABLE 2.2

	2012	2013	2014	2014 III	IV	2015 I	II	III[1]
Total	2,981	3,104	3,102	3,107	3,102	3,105	3,130	3,146
Investment services firms	2,526	2,650	2,641	2,645	2,641	2,643	2,671	2,687
From EU member states	2,523	2,647	2,639	2,642	2,639	2,640	2,668	2,684
Branches	37	38	39	36	39	40	40	40
Free provision of services	2,486	2,609	2,600	2,606	2,600	2,600	2,628	2,644
From non-EU states	3	3	2	3	2	3	3	3
Branches	0	0	0	0	0	0	0	0
Free provision of services	3	3	2	3	2	3	3	3
Credit institutions[2]	455	454	461	462	461	462	459	459
From EU member states	445	444	452	453	452	453	450	450
Branches	55	52	54	54	54	54	54	54
Free provision of services	390	392	398	399	398	399	396	396
Subsidiaries of free provision of services institutions	0	0	0	0	0	0	0	0
From non-EU states	10	10	9	9	9	9	9	9
Branches	8	8	6	7	6	6	6	6
Free provision of services	2	2	3	2	3	3	3	3

1 Available data: August 2015.
2 Source: Banco de España and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

				2014			2015	
Million euro	2012	2013	2014	II	III	IV	I	II
FIXED-INCOME								
Total	10,508,139.1	10,492,026.8	9,264,859.8	2,462,930.4	2,239,416.0	1,720,211.4	1,711,077.5	1,405,666.4
Broker-dealers	2,900,770.8	5,217,059.4	4,989,059.9	1,227,460.1	1,161,159.9	1,099,864.3	1,189,914.6	1,021,811.5
Spanish organised markets	556,756.0	2,597,608.6	2,372,515.0	573,262.8	526,040.3	557,762.8	625,586.4	546,559.9
Other Spanish markets	1,943,730.6	2,310,403.7	2,388,868.8	584,995.5	592,597.9	500,531.5	504,753.7	437,936.6
Foreign markets	400,284.2	309,047.1	227,676.1	69,201.8	42,521.7	41,570.0	59,574.5	37,315.0
Brokers	7,607,368.3	5,274,967.4	4,275,799.9	1,235,470.3	1,078,256.1	620,347.1	521,162.9	383,854.9
Spanish organised markets	2,521,310.9	69,066.6	89,472.6	23,638.3	21,585.0	13,397.9	4,233.9	3,241.3
Other Spanish markets	4,883,226.6	5,007,723.4	3,955,091.6	1,150,873.0	1,007,119.1	559,943.7	454,161.1	340,405.4
Foreign markets	202,830.8	198,177.4	231,235.7	60,959.0	49,552.0	47,005.5	62,767.9	40,208.2
EQUITY								
Total	736,602.3	692,872.0	940,623.2	225,722.2	215,751.6	287,804.5	280,029.2	261,073.4
Broker-dealers	692,058.6	650,094.9	875,037.7	211,503.8	199,931.9	261,305.9	269,822.4	241,888.9
Spanish organised markets	639,498.2	590,027.1	814,349.4	194,806.0	185,890.3	245,637.5	254,159.7	225,587.1
Other Spanish markets	1,806.3	2,585.4	2,828.5	755.8	627.9	802.2	1,022.7	898.3
Foreign markets	50,754.1	57,482.4	57,859.8	15,942.0	13,413.7	14,866.2	14,640.0	15,403.5
Brokers	44,543.7	42,777.1	65,585.5	14,218.4	15,819.7	26,498.6	10,206.8	19,184.5
Spanish organised markets	14,532.5	14,677.2	16,726.7	4,125.2	3,942.7	4,430.9	4,028.0	3,753.5
Other Spanish markets	6,695.5	9,140.4	14,009.1	2,730.7	3,720.0	6,198.7	1,512.5	2,816.7
Foreign markets	23,315.7	18,959.5	34,849.7	7,362.5	8,157.0	15,869.0	4,666.3	12,614.3

1 Period accumulated data. Quarterly.

Intermediation of derivative transactions[1, 2]

TABLE 2.4

				2014			2015	
Million euro	2012	2013	2014	II	III	IV	I	II
Total	6,536,223.6	6,316,221.8	10,095,572.3	1,922,535.5	2,326,464.6	3,919,675.7	2,779,120.5	3,038,237.6
Broker-dealers	5,777,847.8	6,110,753.4	9,918,555.0	1,872,909.0	2,288,382.5	3,877,282.8	2,757,477.2	2,998,514.6
Spanish organised markets	1,819,388.6	2,410,367.9	4,625,999.8	758,339.0	1,330,314.4	1,746,550.0	1,485,199.0	1,549,034.6
Foreign organised markets	3,718,052.1	3,423,638.5	4,913,770.3	1,024,667.0	876,714.9	2,043,274.0	1,213,448.6	1,389,688.8
Non-organised markets	240,407.1	276,747.0	378,784.9	89,903.0	81,353.2	87,458.8	58,829.6	59,791.2
Brokers	758,375.8	205,468.4	177,017.3	49,626.5	38,082.1	42,392.9	21,643.3	39,723.0
Spanish organised markets	5,371.0	4,668.8	6,881.8	2,234.6	2,494.2	1,081.6	1,268.2	1,285.3
Foreign organised markets	566,337.3	29,584.9	37,016.8	8,605.3	10,869.1	14,028.2	4,247.1	5,970.4
Non-organised markets	186,667.5	171,214.7	133,118.7	38,786.6	24,718.8	27,283.1	16,128.0	32,467.3

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	
Million euro	2012	2013	2014	II	III	IV	I	II
NO. OF PORTFOLIOS								
Total	10,985	11,380	13,483	13,286	13,893	13,483	14,074	14,474
Broker-dealers. Total	4,122	4,001	4,741	4,496	4,739	4,741	4,847	4,975
IIC[2]	68	59	63	60	62	63	62	65
Other[3]	4,054	3,942	4,678	4,436	4,677	4,678	4,785	4,910
Brokers. Total	3,680	3,699	4,484	4,697	4,935	4,484	4,950	5,354
IIC[2]	51	57	63	62	64	63	63	66
Other[3]	3,629	3,642	4,421	4,635	4,871	4,421	4,887	5,288
Portfolio management companies. Total	3,183	3,680	4,258	4,093	4,219	4,258	4,277	4,145
IIC[2]	5	12	5	12	13	5	5	1
Other[3]	3,178	3,668	4,253	4,081	4,206	4,253	4,272	4,144
ASSETS UNDER MANAGEMENT (thousand euro)								
Total	9,350,841	10,692,140	11,661,203	12,243,199	12,736,538	11,661,203	12,419,967	12,187,689
Broker-dealers. Total	3,578,436	4,171,331	4,905,630	4,788,421	4,951,046	4,905,630	5,168,610	5,125,196
IIC[2]	965,479	1,160,986	1,371,924	1,413,549	1,466,770	1,371,924	1,503,201	1,498,082
Other[3]	2,612,957	3,010,345	3,533,706	3,374,871	3,484,276	3,533,706	3,665,409	3,627,114
Brokers. Total	1,927,219	2,284,773	1,935,646	2,632,958	2,743,601	1,935,646	2,196,350	2,168,348
IIC[2]	417,981	610,839	846,244	778,850	820,023	846,244	1,060,456	1,061,598
Other[3]	1,509,238	1,673,934	1,089,403	1,854,107	1,923,579	1,089,403	1,135,894	1,106,750
Portfolio management companies. Total	3,845,186	4,236,036	4,819,927	4,821,820	5,041,891	4,819,927	5,055,007	4,894,145
IIC[2]	107,691	195,735	118,847	206,687	211,117	118,847	125,495	17,339
Other[3]	3,737,495	4,040,301	4,701,080	4,615,133	4,830,774	4,701,080	4,929,512	4,876,806

1 Data at the end of period. Quarterly.
2 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes. Includes both resident and non-resident IICs management.
3 Includes the rest of clients, both covered and not covered by the Investment Guarantee Fund, an investor compensation scheme regulated by Royal Decree 948/2001.

Financial advice. Number of contracts[1, 2]

TABLE 2.6

				2014			2015	
Million euro	2012	2013	2014	II	III	IV	I	II
NUMBER OF CONTRACTS								
Total	9,396	11,730	12,761	11,681	13,087	12,761	12,641	12,886
Broker-dealers. Total[3]	1,193	3,074	3,437	2,829	4,090	3,437	1,210	1,198
Retail clients	1,184	3,041	3,409	2,796	4,039	3,409	1,178	1,173
Professional clients	2	10	11	12	12	11	15	11
Brokers. Total[3]	6,484	6,919	7,511	7,138	7,266	7,511	9,634	9,832
Retail clients	6,019	6,617	7,322	6,849	7,002	7,322	9,425	9,624
Professional clients	445	279	169	266	242	169	179	177
Portfolio management companies. Total[3]	1,719	1,737	1,813	1,714	1,731	1,813	1,797	1,856
Retail clients	1,712	1,732	1,805	1,706	1,723	1,805	1,793	1,855
Professional clients	7	5	8	8	8	8	4	1

1 Data at the end of period. Quarterly.
2 Quarterly data on assets advised are not available since the entry into force of CNMV Circular 3/2014, of 22 October.
3 Includes retail, professional and other clients.

Aggregated income statement. Broker-dealers

TABLE 2.7

				2014		2015		
Thousand euro[1]	2012	2013	2014	III	IV	I	II	III[2]
I. Interest income	56,161	67,333	74,177	59,668	74,177	7,985	19,859	28,268
II. Net commission	410,740	387,216	445,317	340,718	445,317	118,547	229,613	263,809
Commission revenues	589,027	565,787	633,263	481,400	633,263	170,459	327,200	379,061
Brokering	348,403	347,522	342,462	266,627	342,462	95,029	175,630	201,828
Placement and underwriting	6,869	4,824	21,414	18,953	21,414	239	6,594	9,769
Securities deposit and recording	19,775	17,987	22,347	15,896	22,347	5,934	12,211	14,283
Portfolio management	14,883	15,581	21,046	15,203	21,046	6,276	11,744	13,628
Design and advising	12,067	18,597	19,502	15,101	19,502	3,772	1,779	1,961
Stocks search and placement	50	8,659	4,367	4,347	4,367	55	744	1,106
Market credit transactions	8	22	0	0	0	0	0	0
IICs[3] marketing	45,050	51,766	62,948	46,442	62,948	17,379	36,225	42,919
Other	141,924	100,829	139,177	98,833	139,177	41,775	82,274	93,567
Commission expenses	178,287	178,571	187,946	140,682	187,946	51,912	97,587	115,252
III. Financial investment income	9,403	256,110	222,077	135,612	222,077	55,799	114,846	132,962
IV. Net exchange differences and other operating products and expenses	-28,522	-138,467	-96,425	-29,544	-96,425	-23,775	-56,310	-69,931
V. Gross income	447,782	572,192	645,146	506,454	645,146	158,556	308,008	355,108
VI. Operating income	35,304	185,040	265,509	220,265	265,509	61,578	109,895	122,827
VII. Earnings from continuous activities	-12,057	140,805	192,467	175,824	192,467	50,560	93,159	104,729
VIII. Net earnings of the period	-12,057	140,805	192,467	175,824	192,467	50,560	93,159	104,729

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: July 2015.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousand euro[1]	2012	2013	2014	2014 II	2014 III	2014 IV	2015 I	2015 II
TOTAL								
Total	21,318	192,753	200,010	112,779	165,322	200,010	37,798	77,953
Money market assets and public debt	18,936	17,163	12,342	6,993	9,618	12,342	3,325	5,422
Other fixed-income securities	16	55,096	31,631	17,253	24,840	31,631	9,454	14,995
Domestic portfolio	-14,813	42,328	23,038	9,786	16,820	23,038	3,936	6,725
Foreign portfolio	14,829	12,768	8,593	7,467	8,020	8,593	5,518	8,270
Equities	356,595	17,869	800,035	534,591	635,288	800,035	160,100	143,100
Domestic portfolio	8,003	44,517	112,635	68,998	106,074	112,635	7,922	14,208
Foreign portfolio	348,592	-26,648	687,400	465,593	529,214	687,400	152,178	128,892
Derivatives	-308,833	207,347	-565,800	-502,994	-486,606	-565,800	-111,864	-34,258
Repurchase agreements	-3,871	1,378	345	298	336	345	-32	-96
Market credit transactions	0	0	0	0	1	0	0	0
Deposits and other transactions with financial intermediaries	5,383	3,405	1,205	-47	279	1,205	388	329
Net exchange differences	-37,363	-149,034	-110,807	43,447	-39,367	-110,807	-27,423	-63,866
Other operating products and expenses	8,841	10,565	14,384	6,441	9,822	14,384	3,648	7,555
Other transactions	-18,386	28,964	16,675	6,797	11,111	16,675	202	4,772
INTEREST INCOME								
Total	56,160	67,333	74,177	25,055	59,670	74,177	7,986	19,860
Money market assets and public debt	4,055	4,356	2,123	1,265	1,811	2,123	399	725
Other fixed-income securities	17,089	4,572	3,371	2,275	3,017	3,371	802	1,391
Domestic portfolio	15,180	3,149	2,147	1,593	2,024	2,147	518	807
Foreign portfolio	1,909	1,423	1,224	682	993	1,224	284	584
Equities	35,220	40,163	63,460	18,630	50,485	63,460	6,458	16,619
Domestic portfolio	19,064	14,672	28,679	6,737	17,377	28,679	33	1,799
Foreign portfolio	16,156	25,491	34,781	11,893	33,108	34,781	6,425	14,820
Repurchase agreements	-3,871	1,378	345	298	336	345	-32	-96
Market credit transactions	0	0	0	0	1	0	0	0
Deposits and other transactions with financial intermediaries	5,383	3,405	1,205	-47	279	1,205	388	329
Other transactions	-1,716	13,459	3,673	2,634	3,741	3,673	-29	892
FINANCIAL INVEST INCOME								
Total	9,404	256,109	222,077	36,828	135,611	222,077	55,797	114,846
Money market assets and public debt	14,881	12,807	10,219	5,728	7,807	10,219	2,926	4,697
Other fixed-income securities	-17,073	50,524	28,260	14,978	21,823	28,260	8,652	13,604
Domestic portfolio	-29,993	39,179	20,891	8,193	14,796	20,891	3,418	5,918
Foreign portfolio	12,920	11,345	7,369	6,785	7,027	7,369	5,234	7,686
Equities	321,375	-22,294	736,575	515,961	584,803	736,575	153,642	126,481
Domestic portfolio	-11,061	29,845	83,956	62,261	88,697	83,956	7,889	12,409
Foreign portfolio	332,436	-52,139	652,619	453,700	496,106	652,619	145,753	114,072
Derivatives	-308,833	207,347	-565,800	-502,994	-486,606	-565,800	-111,864	-34,258
Other transactions	-946	7,725	12,823	3,155	7,784	12,823	2,441	4,322
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	-44,246	-130,689	-96,244	50,896	-29,959	-96,244	-25,985	-56,753
Net exchange differences	-37,363	-149,034	-110,807	43,447	-39,367	-110,807	-27,423	-63,866
Other operating products and expenses	8,841	10,565	14,384	6,441	9,822	14,384	3,648	7,555
Other transactions	-15,724	7,780	179	1,008	-414	179	-2,210	-442

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]	2012	2013	2014	2014 III	2014 IV	2015 I	2015 II	2015 III[2]
I. Interest income	1,912	1,799	1,119	844	1,119	175	448	497
II. Net commission	93,246	110,422	120,634	90,974	120,634	31,049	57,929	67,778
Commission revenues	108,198	130,738	147,137	109,352	147,137	35,222	68,206	79,811
Brokering	38,112	40,196	41,745	33,728	41,745	9,993	17,922	20,612
Placement and underwriting	3,128	4,715	8,129	6,366	8,129	1,183	1,891	2,268
Securities deposit and recording	576	505	567	474	567	113	226	274
Portfolio management	14,476	16,267	15,062	9,650	15,062	2,246	4,640	5,322
Design and advising	3,123	5,894	7,576	4,183	7,576	2,507	4,319	3,951
Stocks search and placement	88	55	0	0	0	0	186	186
Market credit transactions	30	11	0	0	0	0	0	0
IICs[3] marketing	25,949	35,823	46,565	33,200	46,565	12,883	26,577	31,120
Other	22,715	27,272	27,493	21,751	27,493	6,297	12,445	16,079
Commission expenses	14,952	20,316	26,503	18,378	26,503	4,173	10,277	12,033
III. Financial investment income	1,255	5	775	674	775	885	731	802
IV. Net exchange differences and other operating products and expenses	-1,459	-1,633	1,102	-691	1,102	445	1,633	1,566
V. Gross income	94,954	110,593	123,626	91,801	123,626	32,554	60,741	70,641
VI. Operating income	4,598	18,422	24,366	19,689	24,366	9,096	15,871	18,025
VII. Earnings from continuous activities	3,583	14,321	19,922	18,281	19,922	8,381	15,058	17,389
VIII. Net earnings of the period	3,583	14,321	19,922	18,281	19,922	8,381	15,058	17,124

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: July 2015.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Aggregated income statement. Portfolio management companies

TABLE 2.10

Thousand euro[1]	2012	2013	2014	2014 III	2014 IV	2015 I	2015 II	2015 III[2]
I. Interest income	733	667	574	443	574	134	226	260
II. Net commission	7,879	9,362	11,104	7,182	11,104	2,519	4,944	5,802
Commission revenues	17,887	18,603	15,411	9,553	15,411	3,766	7,594	8,713
Portfolio management	16,307	17,028	13,572	8,239	13,572	3,248	6,290	7,023
Design and advising	1,579	1,575	849	683	849	105	193	223
IICs[3] marketing	0	0	0	0	0	0	0	0
Other	0	0	990	630	990	413	1,110	1,467
Commission expenses	10,008	9,241	4,307	2,371	4,307	1,247	2,650	2,911
III. Financial investment income	4	9	-6	38	-6	31	15	22
IV. Net exchange differences and other operating products and expenses	-1	-32	-237	-238	-237	35	-123	-118
V. Gross income	8,615	10,006	11,435	7,425	11,435	2,719	5,062	5,967
VI. Operating income	1,406	3,554	5,860	3,328	5,860	1,223	2,219	2,669
VII. Earnings from continuous activities	953	2,472	4,135	2,367	4,135	890	1,574	1,891
VIII. Net earnings of the period	953	2,472	4,135	2,367	4,135	890	1,574	1,891

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: July 2015.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Capital adequacy and capital ratio[1, 2]

TABLE 2.11

	2012	2013	2014	2014 II	2014 III	2014 IV	2015 I	2015 II
TOTAL								
Total capital ratio[3]	–	–	40.33	40.80	40.87	40.33	39.75	42.64
Own funds surplus (thousand euro)	1,085,783	1,033,669	1,061,974	1,097,539	1,096,551	1,061,974	1,088,868	1,146,047
Surplus (%)[4]	300.76	322.58	404.13	409.97	410.88	404.13	396.92	433.02
Number of companies according to its surplus percentage								
≤100%	37	34	16	12	13	16	15	12
>100- ≤300%	24	22	24	28	27	24	22	25
>300- ≤500%	17	17	12	14	14	12	12	13
>500%	15	14	21	22	23	21	23	21
BROKER-DEALERS								
Total capital ratio[3]	–	–	40.89	41.55	41.53	40.89	40.15	43.20
Own funds surplus (thousand euro)	1,017,597	960,624	987,211	1,016,882	1,016,378	987,211	1,008,633	1,061,408
Surplus (%)[4]	329.03	367.43	411.10	419.42	419.16	411.10	401.89	440.01
Number of companies according to its surplus percentage								
≤100%	7	9	5	4	3	5	5	4
>100- ≤300%	17	11	14	14	15	14	12	11
>300- ≤500%	12	13	6	6	7	6	7	9
>500%	10	8	14	16	16	14	14	14
BROKERS								
Total capital ratio[3]	–	–	24.34	24.45	24.61	24.34	24.58	26.65
Own funds surplus (thousand euro)	53,531	62,199	42,132	48,343	46,951	42,132	44,473	50,698
Surplus (%)[4]	161.23	164.46	204.19	205.58	207.62	204.19	207.29	233.09
Number of companies according to its surplus percentage								
≤100%	27	22	11	8	10	11	10	8
>100- ≤300%	6	10	8	12	10	8	8	12
>300- ≤500%	4	3	6	8	7	6	5	4
>500%	4	6	4	3	4	4	6	5
PORTFOLIO MANAGEMENT COMPANIES								
Total capital ratio[3]	–	–	137.98	156.03	156.51	137.98	158.32	168.49
Own funds surplus (thousand euro)	14,655	10,846	32,631	32,314	33,222	32,631	35,762	33,941
Surplus (%)[4]	79.01	51.21	1,624.71	1,850.39	1,856.33	1,624.71	1,879.04	2,005.97
Number of companies according to its surplus percentage								
≤100%	3	3	0	0	0	0	0	0
>100- ≤300%	1	1	2	2	2	2	2	2
>300- ≤500%	1	1	0	0	0	0	0	0
>500%	1	0	3	3	3	3	3	2

1 On 1 January 2014 entered into force Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms, which has changed the own funds requirements calculation.
2 Since January 2014 only the entities subject to reporting requirements are included, according to CNMV Circular 2/2014, of 23 June, on the exercise of various regulatory options regarding solvency requirements for investment firms and their consolidated groups.
3 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%.
4 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	
	2012	2013	2014	II	III	IV	I	II
TOTAL								
Average (%)[2]	3.19	16.49	22.83	23.82	23.54	22.83	18.99	18.02
No. of companies according to its annualized return								
Losses	31	13	11	13	13	11	12	12
0-≤15%	33	37	30	29	31	30	22	23
>15-≤45%	24	22	23	26	27	23	28	26
>45-≤75%	3	9	11	9	7	11	7	6
>75%	2	6	8	8	8	8	11	12
BROKER-DEALERS								
Average (%)[2]	2.97	16.39	23.04	23.73	23.87	23.04	17.84	17.03
Number of companies according to its annualized return								
Losses	14	5	4	2	3	4	6	7
0-≤15%	18	15	18	16	18	18	14	13
>15-≤45%	11	16	11	16	13	11	12	13
>45-≤75%	2	4	5	4	4	5	3	1
>75%	1	1	2	2	3	2	3	4
BROKERS								
Average (%)[2]	6.25	19.34	22.18	29.45	23.06	22.18	37.62	34.48
Number of companies according to its annualized return								
Losses	15	8	7	11	10	7	6	5
0-≤15%	11	18	11	10	11	11	7	8
>15-≤45%	13	5	8	8	11	8	13	11
>45-≤75%	1	5	6	5	3	6	3	5
>75%	1	5	6	6	5	6	8	8
PORTFOLIO MANAGEMENT COMPANIES								
Average (%)[2]	6.59	11.41	16.95	11.16	12.83	16.95	12.59	11.93
Number of companies according to its annualized return								
Losses	2	0	0	0	0	0	0	0
0-≤15%	4	4	1	3	2	1	1	2
>15-≤45%	0	1	4	2	3	4	3	2
>45-≤75%	0	0	0	0	0	0	1	0
>75%	0	0	0	0	0	0	0	0

1 ROE has been calculated as:

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

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

2 Average weighted by equity, %.

Financial advisory firms. Main figures

TABLE 2.13

				2013		2014	
Thousand euro	2012	2013	2014	I	II	I	II
ASSETS ADVISED[1]							
Total	14,776,498	17,630,081	21,391,510	15,442,297	17,630,081	14,456,415	21,391,510
Retail clients	3,267,079	4,991,653	5,719,292	3,975,400	4,991,653	5,488,399	5,719,292
Professional	3,594,287	3,947,782	4,828,459	3,476,305	3,947,782	4,465,564	4,828,459
Other	7,915,132	8,690,646	10,843,759	7,990,593	8,690,646	4,502,452	10,843,759
COMMISSION INCOME[2]							
Total	26,177	33,272	47,767	14,701	33,272	21,513	47,767
Commission revenues	26,065	33,066	47,188	14,676	33,066	21,071	47,188
Other income	112	206	579	25	206	442	579
EQUITY							
Total	13,402	21,498	26,538	15,119	21,498	22,915	26,538
Share capital	4,365	5,156	5,576	4,820	5,156	5,230	5,576
Reserves and retained earnings	4,798	9,453	8,993	7,251	9,453	9,899	8,993
Income for the year[2]	4,239	6,890	11,969	3,048	6,890	7,787	11,969

1 Data at the end of each period. Half-yearly until December 2014, annually since 2015 (CNMV Circular 3/2014, of 22 October).
2 Accumulated data from the beginning of the year to the last day of every semester.

3 Collective investment schemes (IICs)[a]

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

TABLE 3.1

				2014		2015		
	2012	2013	2014	III	IV	I	II	III[1]
Total financial IICs	5,246	5,129	5,232	5,208	5,232	5,244	5,218	5,209
Mutual funds	2,205	2,043	1,949	1,973	1,949	1,923	1,857	1,821
Investment companies	2,981	3,035	3,228	3,182	3,228	3,266	3,308	3,335
Funds of hedge funds	24	22	18	20	18	18	15	15
Hedge funds	36	29	37	33	37	37	38	38
Total real estate IICs	14	16	11	15	11	10	9	9
Real estate mutual funds	6	6	4	6	4	3	3	3
Real estate investment companies	8	10	7	9	7	7	6	6
Total foreign IICs marketed in Spain	754	782	805	810	805	836	851	850
Foreign funds marketed in Spain	421	409	405	415	405	414	417	415
Foreign companies marketed in Spain	333	373	400	395	400	422	434	435
Management companies	105	96	96	96	96	97	97	97
IIC depositories	84	77	70	75	70	68	67	67

1 Available data: August 2015.

Number of IICs investors and shareholders

TABLE 3.2

				2014		2015		
	2012	2013	2014	III	IV	I	II[1]	III[2]
Total financial IICs	4,815,628	5,463,820	6,859,555	6,572,696	6,859,555	7,495,987	7,859,163	7,899,379
Mutual funds	4,410,763	5,050,556	6,409,344	6,134,324	6,409,345	7,039,404	7,395,550	7,433,439
Investment companies	404,865	413,264	450,211	438,372	450,211	456,583	463,613	465,940
Total real estate IICs	26,155	6,773	4,866	5,139	4,866	4,739	4,592	4,594
Real estate mutual funds	25,218	5,750	4,021	4,093	4,021	3,897	3,909	3,910
Real estate investment companies	937	1,023	845	1,046	845	842	683	684
Total foreign IICs marketed in Spain[3]	819,485	1,067,708	1,317,674	1,233,232	1,317,674	1,328,282	1,413,140	–
Foreign funds marketed in Spain	163,805	204,067	230,104	219,098	230,104	260,013	267,824	–
Foreign companies marketed in Spain	655,680	863,641	1,087,570	1,014,134	1,087,570	1,068,269	1,145,316	–

1 Provisional data for foreign IICs.
2 Available data: July 2015.
3 Exchange traded funds (ETFs) data is not included.

IICs total net assets

TABLE 3.3

				2014		2015		
Million euro	2012	2013	2014	III	IV	I	II[1]	III[2]
Total financial IICs	147,722.2	184,300.9	230,205.7	223,212.3	230,205.7	253,792.1	256,455.1	260,746.0
Mutual funds[3]	124,040.4	156,680.1	198,718.8	192,199.6	198,718.8	219,110.5	222,058.0	225,683.8
Investment companies	23,681.8	27,620.8	31,486.9	31,012.7	31,486.9	34,681.6	34,397.1	35,062.2
Total real estate IICs	4,485.5	4,536.2	1,226.3	4,317.5	1,226.3	1,227.3	1,106.9	1,106.7
Real estate mutual funds	4,201.5	3,682.6	419.8	3,495.1	419.8	417.9	419.5	419.2
Real estate investment companies	284.1	853.7	806.5	822.4	806.5	809.4	687.3	687.5
Total foreign IICs marketed in Spain[4]	38,075.3	54,727.2	78,904.3	72,631.0	78,904.3	95,322.6	100,881.0	–
Foreign funds marketed in Spain	6,271.5	8,523.2	11,166.0	10,344.7	11,166.0	13,187.9	13,917.0	–
Foreign companies marketed in Spain	31,803.8	46,204.0	67,738.3	62,286.3	67,738.3	82,134.7	86,965.0	–

1 Provisional data for foreign IICs.
2 Available data: July 2015.
3 For June 2015, mutual funds investment in financial IICs reached 6.6 billion euro.
4 Exchange traded funds (ETFs) data is not included.

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

Mutual funds asset allocation[1]

TABLE 3.4

Million euro	2012	2013	2014	2014 II	2014 III	2014 IV	2015 I	2015 II[2]
Asset	124,040.4	156,680.1	198,718.8	182,735.8	192,199.6	198,718.8	219,110.5	222,058.0
Portfolio investment	118,446.5	149,343.3	187,693.9	174,368.0	181,660.6	187,693.9	203,840.3	204,654.1
Domestic securities	82,929.6	108,312.7	114,644.5	118,229.2	118,676.1	114,644.5	112,393.7	101,724.4
Debt securities	65,999.1	79,480.4	79,694.4	84,391.7	83,033.8	79,694.4	75,800.1	64,583.0
Shares	3,140.8	5,367.4	8,448.0	7,685.0	8,287.4	8,448.0	9,716.7	9,525.6
Investment collective schemes	3,170.7	4,498.1	6,065.3	5,432.6	5,580.8	6,065.3	6,512.8	7,069.5
Deposits in credit institutions	10,333.3	18,443.7	19,927.4	20,102.2	21,150.6	19,927.4	19,578.8	19,918.9
Derivatives	285.7	523.0	495.4	602.4	609.3	495.4	773.5	617.4
Other	0.0	0.0	14.0	15.2	14.1	14.0	11.7	10.0
Foreign securities	35,512.7	41,029.5	73,048.3	56,138.0	62,983.2	73,048.3	91,445.0	102,928.1
Debt securities	20,493.9	20,312.8	38,582.2	28,967.5	33,079.9	38,582.2	45,230.0	46,368.7
Shares	7,668.6	11,034.2	13,042.9	13,379.4	13,201.6	13,042.9	16,424.7	17,038.7
Investment collective schemes	7,112.3	9,286.0	20,863.9	13,266.4	16,032.9	20,863.9	28,679.6	38,557.6
Deposits in credit institutions	45.8	45.6	243.3	37.9	238.8	243.3	177.1	158.7
Derivatives	191.6	350.9	310.6	481.3	424.4	310.6	927.8	799.0
Other	0.6	0.0	5.4	5.5	5.6	5.4	5.8	5.5
Doubtful assets and matured investment	4.2	1.2	1.2	0.8	1.3	1.2	1.6	1.6
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	5,374.7	7,062.3	10,895.0	8,485.2	10,342.1	10,895.0	15,628.2	16,630.4
Net balance (Debtors - Creditors)	219.2	274.4	129.9	-117.3	196.8	129.9	-358.0	773.5

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

Investment companies asset allocation

TABLE 3.5

Million euro	2012	2013	2014	2014 II	2014 III	2014 IV	2015 I	2015 II[1]
Asset	23,681.8	27,620.8	31,486.9	30,210.3	31,012.7	31,486.9	34,681.6	34,397.1
Portfolio investment	22,512.4	26,105.6	29,080.6	28,425.9	28,549.7	29,080.6	31,634.5	30,742.8
Domestic securities	11,568.0	12,118.9	11,063.7	12,086.1	11,564.0	11,063.7	11,262.7	10,244.7
Debt securities	6,021.4	6,304.3	5,115.9	5,964.2	5,286.4	5,115.9	4,793.3	3,934.6
Shares	2,271.7	3,005.5	3,324.4	3,372.5	3,457.5	3,324.4	3,606.8	3,461.4
Investment collective schemes	701.0	1,134.9	1,433.0	1,462.4	1,486.0	1,433.0	1,645.1	1,623.3
Deposits in credit institutions	2,531.9	1,645.4	1,169.3	1,256.8	1,306.6	1,169.3	1,189.9	1,199.2
Derivatives	7.7	1.4	-10.8	-1.5	-3.3	-10.8	-7.2	-7.9
Other	34.3	27.4	31.9	31.8	30.9	31.9	34.7	34.2
Foreign securities	10,940.2	13,985.1	18,015.2	16,337.0	16,982.7	18,015.2	20,370.2	20,496.4
Debt securities	2,489.2	2,613.7	3,897.1	3,352.8	3,568.2	3,897.1	4,481.9	4,421.7
Shares	3,587.8	5,085.5	6,227.7	5,822.3	6,004.4	6,227.7	6,830.3	6,826.7
Investment collective schemes	4,700.2	6,119.8	7,784.2	7,026.6	7,285.8	7,784.2	8,979.4	9,198.1
Deposits in credit institutions	14.0	5.5	2.3	4.7	0.8	2.3	3.5	12.3
Derivatives	147.1	152.5	94.4	122.4	115.7	94.4	67.0	29.8
Other	1.8	8.1	9.5	8.2	7.8	9.5	8.1	7.8
Doubtful assets and matured investment	4.3	1.5	1.7	2.7	2.9	1.7	1.5	1.7
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	959.7	1,302.0	2,197.7	1,605.4	2,153.9	2,197.7	2,836.5	3,435.2
Net balance (Debtors - Creditors)	209.6	213.1	208.5	178.9	309.0	208.5	210.5	219.0

1 Provisional data.

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

TABLE 3.6

				2014		2015		
	2012	2013	2014	III	IV	I	II	III[2]
NO. OF FUNDS								
Total financial mutual funds	2,185	2,045	1,951	1,959	1,951	1,936	1,862	1,817
Fixed-income[3]	454	384	359	367	359	358	359	349
Mixed fixed-income[4]	125	122	123	117	123	122	126	125
Mixed equity[5]	117	128	131	125	131	132	132	129
Euro equity	127	108	103	103	103	110	109	106
Foreign equity	211	193	191	186	191	193	196	195
Guaranteed fixed-income	398	374	280	303	280	261	226	217
Guaranteed equity[6]	361	308	273	275	273	263	225	217
Global funds	192	162	162	165	162	168	172	169
Passive management	85	169	227	222	227	233	221	213
Absolute return	115	97	102	96	102	96	96	97
INVESTORS								
Total financial mutual funds	4,410,771	5,050,719	6,409,806	6,134,711	6,409,806	7,050,828	7,396,161	7,434,070
Fixed-income[3]	1,261,634	1,508,009	1,941,567	1,818,308	1,941,567	2,092,925	2,113,775	2,103,857
Mixed fixed-income[4]	188,574	240,676	603,099	506,220	603,099	813,223	1,047,453	1,077,635
Mixed equity[5]	138,096	182,223	377,265	313,796	377,265	465,249	559,016	576,874
Euro equity	220,450	293,193	381,822	384,252	381,822	410,761	423,996	410,068
Foreign equity	398,664	457,606	705,055	651,495	705,055	843,867	955,135	981,231
Guaranteed fixed-income	1,075,852	1,002,458	669,448	744,545	669,448	610,911	498,140	477,922
Guaranteed equity[6]	727,880	608,051	557,030	577,616	557,030	508,952	438,262	424,094
Global funds	101,321	128,741	223,670	195,290	223,670	305,397	371,784	386,088
Passive management	125,003	441,705	686,526	692,827	686,526	667,088	584,270	578,121
Absolute return	173,297	188,057	264,324	250,362	264,324	332,455	404,330	418,180
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	124,040.4	156,680.1	198,718.8	192,199.6	198,718.8	219,110.5	222,058.0	225,683.8
Fixed-income[3]	40,664.6	55,058.9	70,330.9	66,841.2	70,330.9	72,059.6	67,600.0	67,078.0
Mixed fixed-income[4]	5,500.9	8,138.0	24,314.3	19,917.0	24,314.3	34,217.4	42,820.0	44,535.9
Mixed equity[5]	3,179.9	6,312.4	13,570.4	11,668.9	13,570.4	17,038.9	20,056.7	21,141.7
Euro equity	5,270.2	8,632.8	8,401.5	8,693.6	8,401.5	9,621.1	9,377.7	9,611.9
Foreign equity	6,615.0	8,849.0	12,266.4	12,151.9	12,266.4	15,479.0	16,320.9	17,225.7
Guaranteed fixed-income	36,445.0	31,481.2	20,417.0	23,122.1	20,417.0	18,271.9	14,702.3	14,147.6
Guaranteed equity[6]	14,413.2	12,503.8	12,196.4	12,497.2	12,196.4	11,751.0	9,996.9	9,908.1
Global funds	4,358.6	4,528.1	6,886.3	6,255.6	6,886.3	9,685.5	11,587.0	12,106.5
Passive management	2,991.2	16,515.9	23,837.5	24,971.5	23,837.5	22,688.0	19,608.4	19,493.0
Absolute return	4,601.9	4,659.9	6,498.1	6,080.4	6,498.1	8,298.0	9,988.1	10,435.4

1 Sub-funds which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: July 2015.
3 Fixed income euro. Foreign fixed-income. Monetary market funds and Short-term monetary market funds.
4 Mixed euro fixed-income and Foreign mixed fixed-income.
5 Mixed euro equity and Foreign mixed equity.
6 Guaranteed equity and Partial guarantee.

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

TABLE 3.7

				2014		2015		
	2012	2013	2014	III	IV	I	II	III[1]
INVESTORS								
Total financial mutual funds	4,410,771	5,050,719	6,409,806	6,134,711	6,409,806	7,050,828	7,396,161	7,434,070
Individuals	4,293,071	4,906,380	6,235,148	5,964,341	6,235,148	6,865,393	7,206,805	7,245,858
Residents	4,237,534	4,848,184	6,170,201	5,900,929	6,170,201	6,797,383	7,136,999	7,175,777
Non-residents	55,537	58,196	64,947	63,412	64,947	68,010	69,806	70,081
Legal entities	117,700	144,339	174,658	170,370	174,658	185,435	189,356	188,212
Credit institutions	473	521	493	608	493	525	615	611
Other resident institutions	116,589	143,083	173,351	168,950	173,351	184,104	187,916	186,787
Non-resident institutions	638	735	814	812	814	806	825	814
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	124,040.4	156,680.1	198,718.8	192,199.6	198,718.8	219,110.5	222,058.0	225,683.8
Individuals	101,963.8	125,957.2	159,423.5	153,655.2	159,423.5	176,300.1	179,160.5	182,609.9
Residents	100,515.7	124,175.3	157,135.2	151,456.3	157,135.2	173,789.0	176,579.9	179,984.0
Non-residents	1,448.0	1,781.9	2,288.3	2,198.9	2,288.3	2,511.1	2,580.6	2,625.9
Legal entities	22,076.6	30,722.9	39,295.4	38,544.3	39,295.4	42,810.4	42,897.5	43,073.9
Credit institutions	1,075.4	547.6	459.8	528.3	459.8	528.7	524.2	591.7
Other resident institutions	20,657.1	29,743.3	38,245.2	37,486.3	38,245.2	41,577.4	41,739.8	41,807.4
Non-resident institutions	344.1	431.9	590.4	529.8	590.4	704.3	633.4	674.7

1 Available data: July 2015.

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

TABLE 3.8

				2014			2015	
Million euro	2012	2013	2014	II	III	IV	I	II
SUBSCRIPTIONS								
Total financial mutual funds	51,006.7	91,115.7	136,161.2	32,927.4	31,564.2	36,813.3	48,382.7	47,749.4
Fixed-income	32,924.2	50,154.7	65,698.5	15,222.9	15,127.6	19,129.1	19,411.7	17,262.1
Mixed fixed-income	1,440.2	4,569.8	21,675.7	5,853.9	5,919.4	6,775.7	12,631.5	13,267.9
Mixed equity	590.0	3,021.8	8,991.2	1,973.9	2,856.4	2,545.1	4,174.2	4,940.3
Euro equity	1,257.5	4,082.8	6,702.0	1,665.8	1,536.4	1,578.5	1,653.5	2,125.5
Foreign equity	1,693.8	3,697.4	5,843.2	1,323.2	1,325.8	1,768.3	3,177.2	3,274.7
Guaranteed fixed-income	7,976.3	5,964.0	847.8	125.2	141.2	294.2	207.8	41.7
Guaranteed equity	1,420.7	1,937.5	3,684.6	966.6	697.3	879.5	174.8	281.9
Global funds	1,270.9	2,175.2	3,752.9	836.4	939.5	1,210.5	3,355.6	3,008.5
Passive management	1,402.2	13,627.5	15,081.3	4,087.3	2,083.0	1,516.9	1,118.2	530.3
Absolute return	1,031.0	1,885.0	3,884.4	872.3	937.7	1,115.7	2,478.2	3,016.5
REDEMPTIONS								
Total financial mutual funds	63,744.4	66,982.7	100,188.5	22,161.4	22,735.9	30,504.8	34,975.3	40,183.3
Fixed-income	38,767.8	36,371.6	52,205.8	12,265.9	11,449.0	15,905.3	18,334.6	21,188.9
Mixed fixed-income	2,215.4	2,510.5	5,963.7	952.2	1,815.7	2,392.6	3,630.1	3,932.0
Mixed equity	973.1	1,139.9	2,423.5	534.8	506.7	975.0	1,507.4	1,392.1
Euro equity	1,421.2	2,352.5	4,517.1	882.9	1,075.8	1,592.1	1,750.8	1,893.6
Foreign equity	2,114.4	2,797.2	5,311.4	946.7	1,471.4	1,890.2	1,736.9	2,005.2
Guaranteed fixed-income	8,829.3	10,433.2	11,301.4	2,787.9	1,848.7	2,614.2	2,035.2	2,971.4
Guaranteed equity	4,944.2	4,007.7	4,594.1	1,010.0	1,263.3	1,155.9	1,096.4	1,708.4
Global funds	1,278.4	1,327.8	1,570.6	301.9	362.9	553.0	1,002.8	863.3
Passive management	830.1	4,089.3	10,110.4	2,002.4	2,426.8	2,644.4	3,040.3	3,046.3
Absolute return	2,370.4	1,952.8	2,190.5	476.7	515.5	782.3	840.8	1,182.1

1 Estimated data.

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

TABLE 3.9

				2014			2015	
Million euro	2012	2013	2014	II	III	IV	I	II
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	-14,597.3	24,086.2	35,794.5	10,766.6	8,666.6	6,279.3	12,863.8	7,536.9
Fixed-income	-7,739.7	13,405.0	13,821.0	2,955.3	3,746.7	3,287.8	1,021.4	-3,551.5
Mixed fixed-income	-18.8	2,369.7	15,689.2	4,897.1	4,123.4	4,349.2	9,002.9	9,509.7
Mixed equity	35.8	2,673.3	6,842.3	1,441.5	2,350.5	1,834.0	2,666.8	3,533.3
Euro equity	-115.4	1,733.5	-338.3	607.3	288.8	-14.2	-96.1	229.2
Foreign equity	-425.3	865.9	2,715.6	389.7	-148.1	-131.7	1,440.3	1,317.1
Guaranteed fixed-income	-338.8	-6,717.5	-11,761.5	-2,796.8	-1,889.9	-2,675.0	-2,243.4	-3,467.1
Guaranteed equity	-4,225.9	-2,689.1	-651.7	-72.9	-491.0	-236.9	-936.0	-1,462.9
Global funds	-1,021.0	-176.7	2,110.3	554.9	563.3	591.4	2,308.8	2,111.3
Passive management	823.8	12,675.2	5,632.0	2,423.8	-299.1	-1,129.4	-1,932.5	-2,516.0
Absolute return	-1,571.9	-53.2	1,735.6	366.7	422.0	404.1	1,631.6	1,833.8
RETURN ON ASSETS								
Total financial mutual funds	6,289.3	8,566.5	6,260.3	2,456.0	806.6	240.0	7,535.3	-4,589.2
Fixed-income	1,459.6	990.0	1,451.7	403.8	354.0	201.9	707.5	-908.0
Mixed fixed-income	266.1	267.6	487.2	168.9	127.6	48.1	900.2	-906.9
Mixed equity	238.2	459.3	415.5	152.8	75.4	67.5	801.8	-515.6
Euro equity	558.8	1,629.1	107.0	241.4	-196.9	-277.9	1,315.7	-472.6
Foreign equity	759.1	1,368.1	701.7	343.4	-126.8	246.1	1,772.2	-475.2
Guaranteed fixed-income	1,727.4	1,754.3	697.3	187.4	92.0	-30.2	98.3	-102.5
Guaranteed equity	624.5	779.8	344.5	203.3	47.6	-63.9	490.6	-291.2
Global funds	274.9	346.2	248.0	87.5	42.0	39.4	490.5	-209.7
Passive management	196.8	861.0	1,704.8	627.8	381.3	-4.6	790.1	-563.7
Absolute return	184.1	111.1	102.7	39.8	10.4	13.6	168.3	-143.8

Financial mutual funds return on assets. Detail by category

TABLE 3.10

% of daily average total net assets	2012	2013	2014	2014 II	III	IV	2015 I	II
MANAGEMENT YIELDS								
Total financial mutual funds	6.03	7.37	4.84	1.68	0.71	0.39	3.94	-1.81
Fixed-income	4.33	2.96	3.20	0.86	0.76	0.49	1.19	-1.11
Mixed fixed-income	6.05	5.20	5.16	1.63	1.06	0.53	3.49	-1.98
Mixed equity	9.20	11.84	6.46	2.24	1.09	0.90	5.78	-2.41
Euro equity	12.84	28.36	4.00	3.54	-1.82	-2.86	15.38	-4.44
Foreign equity	13.51	21.47	8.38	3.46	-0.52	2.59	13.47	-2.46
Guaranteed fixed-income	5.30	5.80	3.52	0.95	0.63	0.09	0.75	-0.43
Guaranteed equity	5.26	7.34	4.08	1.94	0.71	-0.22	4.47	-2.54
Global funds	7.80	9.86	6.07	1.99	1.01	0.93	6.57	-1.68
Passive management	7.99	9.84	8.80	2.87	1.73	0.16	3.61	-2.52
Absolute return	4.93	3.61	3.11	1.02	0.49	0.50	2.66	-1.33
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.94	0.98	0.98	0.24	0.25	0.25	0.26	0.24
Fixed-income	0.66	0.68	0.70	0.17	0.18	0.18	0.17	0.16
Mixed fixed-income	1.10	1.13	1.19	0.30	0.30	0.29	0.30	0.28
Mixed equity	1.51	1.51	1.42	0.36	0.35	0.35	0.41	0.33
Euro equity	1.77	1.85	1.80	0.44	0.44	0.43	0.51	0.42
Foreign equity	1.74	1.83	1.78	0.44	0.45	0.45	0.50	0.40
Guaranteed fixed-income	0.79	0.86	0.88	0.22	0.22	0.22	0.21	0.21
Guaranteed equity	1.23	1.25	1.20	0.30	0.30	0.29	0.27	0.27
Global funds	1.01	1.32	1.20	0.30	0.29	0.29	0.39	0.23
Passive management	0.81	0.72	0.64	0.16	0.16	0.16	0.17	0.16
Absolute return	1.03	1.13	1.07	0.27	0.26	0.27	0.29	0.23
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Fixed-income	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Mixed fixed-income	0.08	0.08	0.09	0.02	0.02	0.02	0.02	0.02
Mixed equity	0.12	0.12	0.10	0.03	0.03	0.03	0.03	0.03
Euro equity	0.12	0.09	0.12	0.03	0.03	0.03	0.03	0.03
Foreign equity	0.12	0.12	0.11	0.03	0.03	0.03	0.03	0.03
Guaranteed fixed-income	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Guaranteed equity	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Global funds	0.08	0.08	0.09	0.02	0.02	0.02	0.02	0.02
Passive management	0.08	0.08	0.07	0.02	0.02	0.02	0.02	0.02
Absolute return	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02

Mutual funds quarterly returns. Detail by category

TABLE 3.11

In %	2012	2013	2014	2014 II	III	IV	2015 I	II
Total financial mutual funds	5.50	6.50	3.67	1.41	0.43	0.08	3.85	-1.98
Fixed-income	3.54	2.28	2.41	0.67	0.55	0.28	0.99	-1.24
Mixed fixed-income	4.95	4.16	3.67	1.34	0.71	0.01	3.27	-2.14
Mixed equity	7.83	10.85	4.70	1.89	0.77	0.28	5.56	-2.53
Euro equity	12.31	28.06	2.09	3.04	-2.35	-3.38	15.94	-4.81
Foreign equity	13.05	20.30	6.61	2.92	-0.91	2.27	14.27	-2.75
Guaranteed fixed-income	4.85	4.96	2.54	0.71	0.39	-0.14	0.51	-0.65
Guaranteed equity	5.07	6.15	2.64	1.59	0.38	-0.60	4.27	-2.76
Global funds	7.44	8.71	4.63	1.69	0.68	0.54	6.64	-1.82
Passive management	7.10	8.88	7.74	2.64	1.49	-0.02	3.53	-2.68
Absolute return	3.84	2.46	1.98	0.75	0.18	0.22	2.50	-1.47

Hedge funds and funds of hedge funds

TABLE 3.12

				2014			2015	
	2012	2013	2014	II	III	IV	I	II[1]
HEDGE FUNDS								
Investors/shareholders	2,427	2,415	2,819	2,631	2,627	2,819	3,024	3,118
Total net assets (million euro)	918.6	1,036.7	1,369.5	1,261.5	1,353.0	1,369.5	1,585.2	1,681.1
Subscriptions (million euro)	347.6	401.7	574.6	125.1	196.4	118.6	144.5	141.3
Redemptions (million euro)	212.7	414.3	293.8	58.5	89.6	101.6	61.9	42.1
Net subscriptions/redemptions (million euro)	134.8	-12.6	280.8	66.6	106.8	17.0	82.6	99.2
Return on assets (million euro)	55.7	130.0	52.0	22.5	-15.3	-0.5	133.1	5.3
Returns (%)	7.17	16.48	5.30	1.97	-0.98	0.07	9.71	-0.23
Management yields (%)[2]	8.00	17.22	7.39	2.53	-0.83	0.57	10.14	0.10
Management fee (%)[2]	1.38	2.87	2.21	0.50	0.35	0.40	1.20	0.27
Financial expenses (%)[2]	0.04	0.04	0.32	0.01	0.13	0.17	0.17	0.08
FUNDS OF HEDGE FUNDS								
Investors/shareholders	3,338	3,022	2,734	2,972	2,737	2,734	2,735	2,732
Total net assets (million euro)	540.0	350.3	345.4	354.0	367.5	345.4	367.0	359.0
Subscriptions (million euro)	23.6	4.9	7.1	1.5	4.0	0.1	0.8	–
Redemptions (million euro)	74.3	215.2	40.8	4.5	5.9	28.4	12.0	–
Net subscriptions/redemptions (million euro)	-50.8	-210.3	-33.7	-3.0	-1.9	-28.3	-11.2	–
Return on assets (million euro)	17.6	20.6	28.9	4.9	15.5	6.2	32.8	–
Returns (%)	0.88	4.39	8.48	1.42	4.42	1.76	9.63	-1.23
Management yields (%)[3]	4.56	5.78	9.72	1.73	4.66	2.03	9.50	–
Management fee (%)[3]	1.28	1.28	1.07	0.28	0.27	0.25	0.28	–
Depository fee (%)[3]	0.08	0.08	0.08	0.02	0.02	0.02	0.02	–

1 Available data: May 2015. Return refers to the period December-February.
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

				2014		2015		
	2012	2013	2014	III	IV	I	II	III[2]
NUMBER OF PORTFOLIOS[3]								
Mutual funds	2,205	2,043	1,949	1,973	1,949	1,923	1,857	1,822
Investment companies	2,922	2,975	3,164	3,119	3,164	3,268	3,245	3,279
Funds of hedge funds	24	22	18	20	18	18	15	15
Hedge funds	35	29	35	31	35	35	36	36
Real estate mutual funds	6	6	4	6	4	3	3	3
Real estate investment companies	8	10	7	9	7	7	6	6
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	124,040.4	156,680.1	198,718.8	192,199.6	198,718.8	219,110.5	222,058.0	225,683.8
Investment companies	23,011.0	26,830.1	30,613.8	30,149.9	30,613.8	33,702.3	33,432.2	34,169.0
Funds of hedge funds[4]	539.9	350.3	345.4	367.6	345.4	367.4	359.0	–
Hedge funds[4]	881.4	1,036.6	1,328.0	1,312.0	1,328.0	1,459.1	1,618.6	–
Real estate mutual funds	4,201.5	3,682.6	419.8	3,495.1	419.8	417.9	419.5	419.2
Real estate investment companies	284.1	853.7	806.5	822.4	806.5	809.4	687.3	687.5

1 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: July 2015.
3 Data source: Collective Investment Schemes Registers.
4 Available data for I Quarter 2015: May 2015.

Foreign Collective Investment Schemes marketed in Spain[1]

TABLE 3.14

				2014			2015	
	2012	2013	2014	II	III	IV	I	II[2]
INVESTMENT VOLUME[3] (million euro)								
Total	38,075.3	54,727.2	78,904.3	68,004.5	72,631.0	78,904.3	95,322.6	100,881.2
Mutual funds	6,271.5	8,523.2	11,166.0	9,613.9	10,344.7	11,166.0	13,187.9	13,916.7
Investment companies	31,803.8	46,204.0	67,738.3	58,390.6	62,286.3	67,738.3	82,134.7	86,964.5
INVESTORS/SHAREHOLDERS								
Total	819,485	1,067,708	1,317,674	1,263,915	1,233,232	1,317,674	1,328,282	1,413,140
Mutual funds	163,805	204,067	230,104	228,201	219,098	230,104	260,013	267,824
Investment companies	655,680	863,641	1,087,570	1,035,714	1,014,134	1,087,570	1,068,269	1,145,316
NUMBER OF SCHEMES								
Total	754	782	805	802	810	805	836	851
Mutual funds	421	409	405	416	415	405	414	417
Investment companies	333	373	400	386	395	400	422	434
COUNTRY								
Luxembourg	310	321	333	326	332	333	338	344
France	272	272	264	276	274	264	278	282
Ireland	90	103	117	109	113	117	127	134
Germany	31	32	33	33	33	33	32	32
UK	22	22	26	26	26	26	29	27
The Netherlands	1	2	2	2	2	2	2	2
Austria	23	24	25	24	24	25	25	25
Belgium	3	4	4	4	4	4	4	4
Malta	1	1	0	1	1	0	0	0
Denmark	1	1	1	1	1	1	1	1

1 Exchange traded funds (ETFs) data is not included.
2 Provisional data.
3 Investment volume: participations or shares owned by the investors/shareholders at the end of the period valued at that moment.

Real estate investment schemes[1]

TABLE 3.15

				2014		2015		
	2012	2013	2014	III	IV	I	II	III[2]
REAL ESTATE MUTUAL FUNDS								
Number	6	6	3	6	3	3	3	3
Investors	25,218	5,750	4,021	4,093	4,021	3,897	3,909	3,910
Asset (million euro)	4,201.5	3,682.6	419.8	3,495.1	419.8	417.9	419.5	419.2
Return on assets (%)	-5.53	-11.28	-5.87	-0.87	-1.23	-0.26	0.39	-0.09
REAL ESTATE INVESTMENT COMPANIES								
Number	8	10	7	9	7	7	6	6
Shareholders	937	1,023	845	1,046	845	842	683	684
Asset (million euro)	284.1	853.7	806.5	822.4	806.5	809.4	687.3	687.5

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: July 2015. In this case, return on assets is monthly.