CNMV BULLETIN
Quarter I
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Abbreviations

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

IICIL	Institución de inversión colectiva de inversión libre (Hedge fund)
IIMV	Instituto Iberoamericano del Mercado de Valores
IOSCO	International Organization of Securities Commissions
ISIN	International Securities Identification Number
Latibex	Market in Latin American securities, based in Madrid
MAB	Mercado Alternativo Bursátil (Alternative Stock 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 (UCITS management company)
SIBE	Sistema de Interconexión Bursátil Español (Spain's electronic market in securities)
SICAV	Sociedad de inversión de carácter financiero (Open-end investment company)
SII	Sociedad de inversión inmobiliaria (Real estate investment company)
SIL	Sociedad de inversión libre (Hedge fund in the form of a company)
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

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1 Executive summary

- The global macroeconomic environment has been characterised in recent months by the growth lead opened up by the emerging economies and United States and the decline in inflation due to falling oil prices. This scenario continues to anchor the markedly expansionary monetary policies pursued by advanced economy central banks, though divergences have recently emerged in their recourse to non-standard measures. The main event on this score was undoubtedly the ECB's announcement that it would expand its bond-buying program as far as monthly purchases of 60 billion euros, at least until September 2016. The news, released in January, was greeted with relief in financial markets, which came largely unscathed through the change of government in Greece and subsequent renegotiation of the country's debt.

- Long-term benchmark yields continued downwards[1] in most advanced economies after ending last year at record lows. Some euro-area bonds even slipped below the 0.5% mark, as investors began pricing in the first effects of the ECB's expanded asset-purchase programme. Sovereign credit risk premiums, meantime, recouped the levels in place before May 2010 and the first wave of debt market turmoil –in some cases even lower– and were barely touched by the upheavals in Greece.

- Leading world stock indices rallied strongly in 1Q 2015, except in the sideways trading US markets. Euro-area stocks were at the leading edge of the advance in contrast to the heavy losses taken in the last months of 2014. Factors in support were the improved economic outlook for Europe (helped by sharply falling oil prices) and the ECB's January announcement of its expanded asset-purchase programme. As a result, the change of government in Greece and the renegotiation of its public debt made little dent on equity prices and occasioned only brief spikes in market volatility. Finally, the majority of euro-area indices posted first-quarter gains upwards of 16%.

- Spanish GDP expanded 0.7% in 4Q 2014 (2% year on year), lifting the annual average rate to 1.4%. The increase not only signified a break with the contraction trend of recent years, but restored Spain to a growth lead vs. the euro area (1.1%) for the first time since 2008. The turnaround was accompanied by changes in the growth mix, including a strongly positive contribution (2.2 points) from the domestic demand side. The pickup in activity brought with it a small rise in employment (1.2% on average in 2014), while permitting some inroads into the jobless rate (down by two points to 23.7% of the active popula-

1 The closing date for this report is 13 March.

tion). Meantime, tumbling oil prices dragged annual inflation into negative territory, while core inflation held near zero. On the budget front, the analyst consensus is that the full-year deficit will be close to the Government's target (5.5% of GDP).

- As well as emerging successfully from the assessments run in the lead-up to the Single Supervisory Mechanism (SSM), the Spanish banking sector is enjoying a more supportive business environment, which has served to strengthen income statements and secure minor improvement in non-performing loan ratios. Lending to the private sector of the economy continued to contract, though the pace is clearly slowing with banks seemingly readier to grant new loans.

- Economic recovery also made itself felt in the results of non-financial listed companies, which grew their combined earnings 64.8% vs. 2013 to 17.51 billion euros. An encouraging note was the return to profit of the construction and real estate sector after a string of heavy losses. Also, companies cut their gross debt by 7% to 255 billion, as the private sector continued to deleverage.

- Prices pulled higher on domestic equity markets after the falls of last year's closing months, with the Ibex 35 gaining 7.3%. The bull run was punctuated by the odd spike in volatility, but was generally reflective of the improved outlook for the Spanish economy, while pricing in some of the effects of the ECB's new asset-buying programme. Equity issuance surged to over fifteen billion euros in the opening quarter (almost half the amount raised in full-year 2014), while trading volumes stood at 202.8 billion (an increase of 33.4%).

- Spanish fixed-income markets steered an even course through 1Q 2015, unperturbed as a whole by events in Greece. Government and corporate bond yields registered fresh lows at both the short and long end of the curve, anticipating in part the effects of the ECB's expanded asset purchase programme. Credit risk spreads fluctuated somewhat in the opening months, but in most cases ended the quarter below their year-end levels (under 100 bp in both the public and private sector). Cheaper financing conditions boosted the volume of fixed-income issues filed with the CNMV as far as 27.61 billion euros (68.4% more than in 2014[2]).

- 2014 was another good year for the collective investment industry, which was able to build successfully on the rebound of 2013. The thin returns of traditional products like bank deposits led investors to turn to funds for interesting alternatives. The result was a 26.8% rise in assets under management to 198.7 billion euros at the 2014 close, translating as 20.4% profits growth for UCITS management companies. Finally, investment in foreign UCITS marketed in Spain swelled to almost 79 billion (over 25% of the total distributed in Spain).

- Investment firms too fared considerably better in 2014, with a broad advance across all main business lines, particularly UCITS marketing and placement

2 Dropping to 41.8% if we exclude issuance by the SAREB.

and underwriting services. The sector's aggregate pre-tax profits climbed by more than 40% to 306 million euros, while the number of loss-making firms dropped from twelve at the outset to eight at the end of the year. Investment advisory firms also did expanding business, ending the year with 21.4 billion in assets under advice, 21.3% more than in 2013. The sector, finally, remained comfortably compliant with solvency ratios, whose calculation methods and reporting standards were amended by Regulation EU 575/2013 and CNMV Circular 2/2014.

- The report includes four monographic exhibits:

  – Exhibit one describes the results of the comprehensive assessment run on credit institutions preparatory to the launch of the Single Supervisory Mechanism (SSM) at year-end 2014.

  – The second exhibit summarises the main evidence assembled in the first report on high-frequency-trading (HFT) in Europe, prepared by securities market authority ESMA.

  – The third sets out the main characteristics of the CNMV's consultation on a classification system for financial instruments and the identification of especially complex products.

  – Finally, exhibit four looks at Spain's new venture capital law and recent changes in its collective investment scheme legislation.

2 Macro-financial background

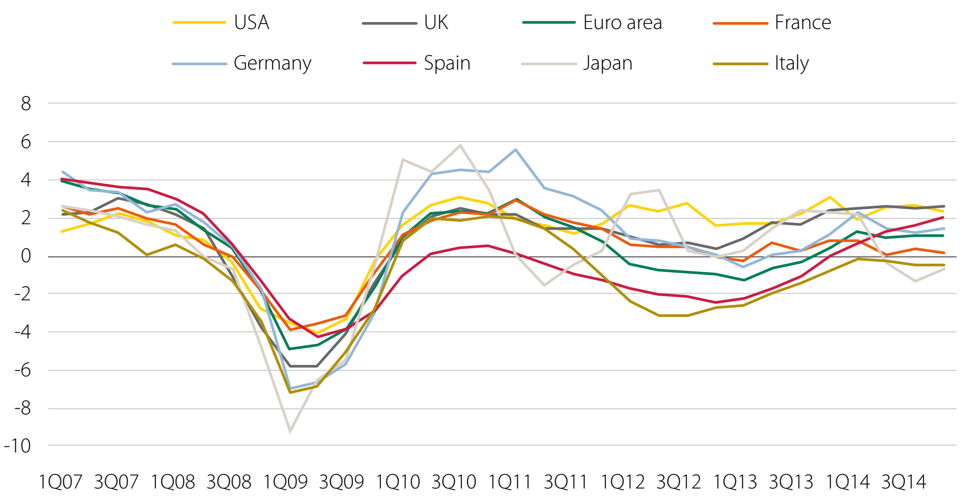
2.1 International economic and financial developments

World GDP expands 3.3% in a repeat of the 2013 rate, powered by the emerging economies (4.4%) with advanced economies some way behind (1.8%).

Global growth closed last year at 3.3%, a repeat of the 2013 rate, drawing on the 1.8% growth of the advanced economies and the 4.4% of the emerging market group. Among the former, points to note were the GDP increases in the United Kingdom (2.6%) and the United States (2.4%) and the mild recovery in euro-area activity, which picked up from -0.4% in 2013 to 1.1% in 2014. However, as figure 1 shows, recovery in Europe advanced along different paths and at different speeds, with Germany and Spain out in front on annual average growth nearing 1.5%, France some way behind (0.4%) and Italy still stuck in negative terrain (-0.4%). In the emerging market economies, Asia conserved its growth lead (6.5%), despite a slight weakening of activity in China (down from 7.7% in 2013 to 7.4% in 2014). Among the rest, however, growth slowed more steeply on account of their involvement in geopolitical conflicts and, in the closing stretch, the run-down in oil prices. This was the case of Russia, where growth sagged from 1.3% in 2013 to 0.6% in 2014, and certain Latin American economies.

Gross domestic product (annual % change)

FIGURE 1



Source: Thomson Datastream.

Inflation races lower in main advanced economies as oil prices tumble.

Inflation fell sharply from mid-year on in most advanced economies as oil prices tumbled[3]. The lowest annual rates corresponded to the euro area, running a negative index since December last (-0.2% in December and -0.6% in January), and the United States, where the annual rate turned negative in January (-0.2%). The UK registered somewhat higher levels (0.3%), while Japanese inflation retreated from the 3.4% high of April 2014, following a VAT hike, to the neighbourhood of 2.4%. Core inflation rates, which exclude the more volatile index components, have steered a flatter though slightly downward course over the past few months.

Monetary policies remains expansionary in response to falling inflation, while non-standard measures follow divergent paths. The ECB, concretely, announced in January that it will conduct monthly bond purchases worth 60 billion euros until September 2016.

Monetary policies remained broadly expansionary across major advanced economies, albeit with growing differences in central bank decisions with regard above all to non-standard measures. These differences respond to the no less different activity, employment and inflation contexts of their respective economies. In the case of a euro area, the looming threat of deflation alongside stubbornly weak activity nudged the ECB into a January announcement the markets had been expecting for weeks: the enlargement of its 2014 package of measures[4] and specifically the extension of its asset-purchase programme to bonds issued by euro-area central governments (sovereign bonds), agencies and European institutions. According to the Bank, combined monthly purchases will amount to 60 billion euros from March 2015 to at least September 2016. The design of this quantitative easing (QE) programme, resembling other non-standard programmes launched in their day by the Federal Reserve, signals the monetary authority's resolve to meet its objective of price stability.

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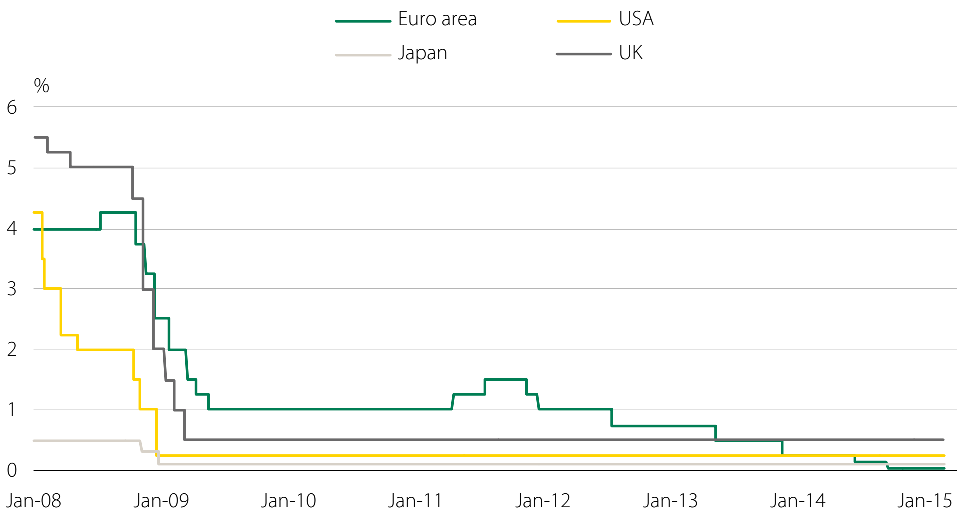
3 The price/barrel of crude dropped from around 115 dollars in mid-June 2014 to lows of 45 dollars in the middle of January 2015, equating to a cumulative drop of 60%. By mid-March, prices had inched back up to around 60 dollars/barrel.

4 In 2014, the ECB cut its benchmark rate on two occasions (in June and September) to a historical low of 0.05%, as well as adopting a set of non-standard measures, including new purchases of private assets (covered bonds and certain asset-backed securities) and targeted longer-term refinancing operations, which banks can tap as a function of their (non-mortgage) lending.

Official interest rates FIGURE 2



Source: Thomson Datastream. Data to 13 March.

The Federal Reserve ended a similar programme late in 2014 and is now calibrating the timing of an interest rate hike.

In the United States, conversely, the Federal Reserve decided to call a halt to its asset-buying programme at the FOMC (Federal Open Market Committee) meeting of end-October 2014. The Fed, which has held rates low between 0% and 0.25% since December 2008, has said it will keep them that way for some time to come, but without ruling out an earlier-than-forecast hike in light of developments in employment and inflation. The markets, naturally, will be looking out for this possibility, which analysts believe could materialise in the second half of 2015.

In global debt markets, long-term yields level off in the US and UK and decline further in the euro area against a backdrop of record lows.

After a year-long decline that took them to historic lows in most advanced economies, the yields on long-term sovereign benchmarks tended to stabilise in the US and UK over 1Q 2015 while continuing downwards in the euro area. The fall in euro-area yields presumably anticipated part of the effects of the ECB's new bond-buying programme. The result was that by mid-March, US and UK yields were running at 2.1% and 1.7% respectively, while euro-area bonds dropped to fresh lows. European economies like Germany, France, the Netherlands and Belgium saw yields slip under 0.5%, while both the Spanish and Italian bond broke below 1.2% (see upper panel of figure 3). Bond market liquidity conditions worsened slightly in the first months of 2015, but without any relevant increase in volatility (only an issue for the Greek bond). This held true even at times of maximum uncertainty, coinciding with the change of government in Greece and talks on the renegotiation of the country's debt (see lower panels of figure 3).

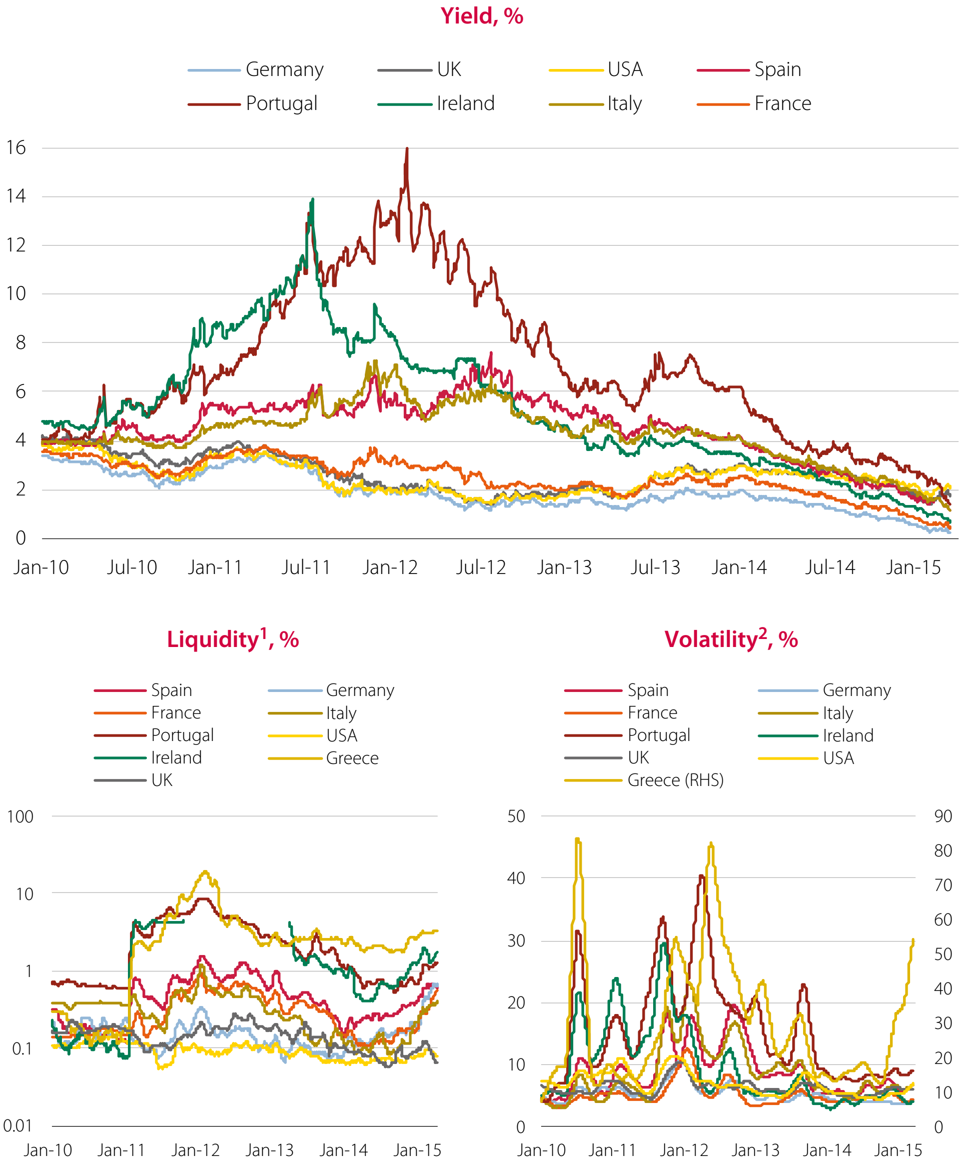
Stable sovereign spreads show that the contagion effect so powerfully present in earlier rounds of market disruption has lost much of its force.

The risk spreads of European peripherals underwent little variation in the first months of 2015 following their long descent from the peak levels of summer 2012. Their recent performance, moreover, signals a disconnect between Greek benchmarks and those of remaining euro-area sovereign issuers, in contrast to the drag exerted in earlier rounds of debt market turbulence. In effect, the instability engendered by the change of Greek government and renegotiation of the country's debt failed to drive up yields or risk premiums across the rest of Europe's economies. The only casualty was Greece itself, with sovereign spreads and long-term bond volatility escalating to two-year highs (see figures 3 and 4).

Corporate bond spreads remain at reduced levels though high-yield spreads have begun straining higher.

In corporate bond markets, reduced levels of high-yield spreads reflected the continuing predominance of "search for yield" strategies. The trend, however, reversed visibly between June and December 2014 restoring them to levels that have persisted more or less through the first quarter of 2015. As we can see from figure 5, the cumulative rise in high-yield spreads extended to around 145 bp in the United States and 180 bp in Europe. Spreads on medium-quality corporates also headed higher in the United States (63 bp). At the top of the quality scale, AAA-rated spreads held broadly flat at around 55 bp in the United States and 45 bp in Europe.

Ten-year sovereign bond market indicators FIGURE 3



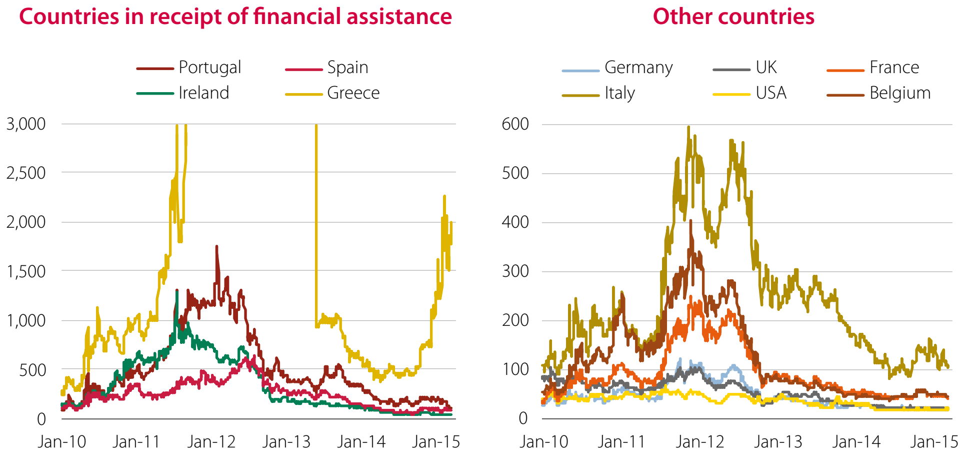
Source: Bloomberg, Thomson Datastream and CNMV. Data to 13 March.

1 Monthly average of the daily bid-ask spread of ten-year sovereign yields (on a logarithmic scale).

2 Annualised standard deviation of daily changes in 40-day sovereign bond prices. Moving average of 50 periods.

Sovereign credit spreads (five-year CDS, bp)

FIGURE 4

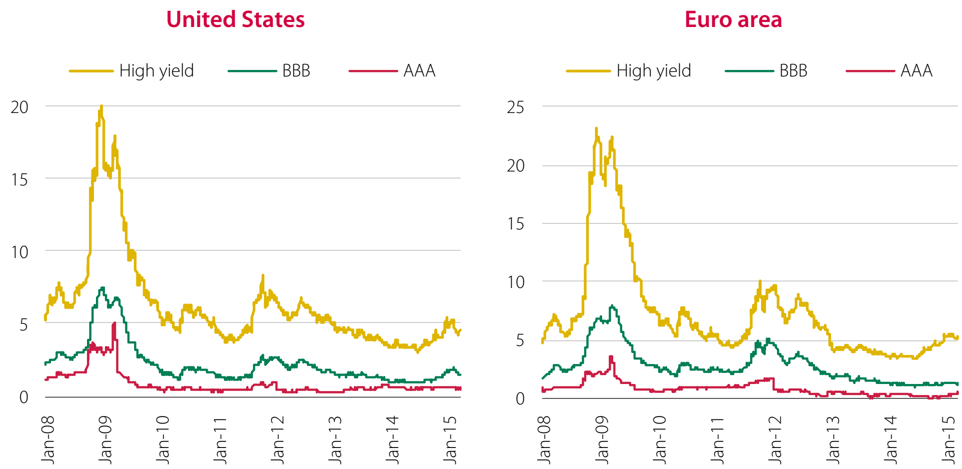


Source: Thomson Datastream. Data to 13 March.

Corporate bond spreads

FIGURE 5

Spread *vs.* the 10-year government bond, in percentage points[1]



Source: Thomson Datastream and CNMV.

1 In the euro area, versus the German benchmark.

Net debt issuance climbs in the year, with flat sovereign issuance contrasting with the dynamism of the private sector...

Net issuance on global debt markets summed 3.26 trillion dollars to the 2014 close, 8.9% more than in 2013. The advance relied on private-sector issuance, while sovereign net issuance, at two trillion dollars, was on a par with the previous year (-0.4%). Ongoing fiscal adjustment among the largest advanced economies has pushed down net issue volumes in recent years, and they are certainly a long way short of the almost six trillion dollars registered in 2010.

… particularly non-financial corporations.

In the private sector of the economy, non-financial corporations were particularly active (see figure 6), with net bond sales amounting to 756 billion dollars (23% of the total), in line with the previous year (766 billion). Non-financial issuance ran higher in the US, but also attained a sizeable sum in Europe. Meantime, financial corporations' net issuance stood at 14% of the full-year total, with divergences emerging between European institutions and the rest. Europe's banks, concretely, held aloof from the borrowing spurt embarked on by peers in the United States and other economic areas, partly because they are still tidying up after the recent financial crisis, and partly because funding requirements are low key or can be satisfied through other channels.

The main event in 1Q 2015 has been a surge in investment-grade issuance in the United States.

These trends persisted through the opening months of 2015, when the main development was an upswing in US corporate issuance. The bonds on sale were mainly investment grade, designed to raise funds at ultra reduced rates in a context of plentiful liquidity, amplified by ECB plans to ramp up secondary-market purchasing as of this March.

Net international debt issuance FIGURE 6

Source: Dealogic. Half-year data. Data for the first quarter of 2015 run to 13 March, but are restated on a semiannual basis to facilitate comparison.

Equity indices rally in 2015 with Europe to the fore on the strength of an improved economic outlook and the stimulus from the ECB.

Leading world stock indices rallied strongly in 1Q 2015, except in the sideways trading US markets. Euro-area stocks were at the leading edge of the advance in contrast to the heavy losses taken in the last months of 2014, reasons being the improved economic prospects for Europe (supported in turn by the oil price slide) and the ECB's January announcement of an expanded asset-purchase programme, which has anchored rate expectations at ultra reduced levels. It bears mention that uncertainty around the change of government in Greece and the renegotiation of its debt has had little effect on equity market prices or volatility, to the extent that a majority of euro-area indices posted first-quarter gains upwards of 16% (see table 1).

Japanese indices gain new ground, while US indices hold onto recent-year highs.

Japanese indices also pulled higher in the opening quarter by upwards of 10%, in contrast to the sideways movement that dominated US markets. The S&P 500 and Dow Jones, specifically, slipped by 0.3% and 0.4% respectively, while the Nasdaq composite managed a gain approaching 3%. These are also the indices, it should be noted, that have risen most on a longer-term perspective.

Performance of main stock indices[1] TABLE 1

									1Q 15 (To 13 March)	
%	2011	2012	2013	2014	1Q 14	2Q 14	3Q 14	4Q 14	%/prior qt.	% y/y[2]
World										
MSCI World	-7.6	13.2	24.1	2.9	0.8	4.2	-2.6	0.7	0.6	4.1
Euro area										
Eurostoxx 50	-17.1	13.8	17.9	1.2	1.7	2.1	-0.1	-2.5	16.2	21.1
Euronext 100	-14.2	14.8	19.0	3.6	2.7	1.1	0.4	-0.6	17.5	22.7
Dax 30	-14.7	29.1	25.5	2.7	0.0	2.9	-3.6	3.5	21.4	32.0
Cac 40	-17.0	15.2	18.0	-0.5	2.2	0.7	-0.1	-3.2	17.3	17.9
Mib 30	-24.0	10.2	18.8	-0.4	13.6	-2.2	-3.2	-7.4	20.1	9.5
Ibex 35	-13.1	-4.7	21.4	3.7	4.3	5.6	-0.9	-5.0	7.3	10.9
United Kingdom										
FTSE 100	-5.6	5.8	14.4	-2.7	-2.2	2.2	-1.8	-0.9	2.7	2.9
United States										
Dow Jones	5.5	7.3	26.5	7.5	-0.7	2.2	1.3	4.6	-0.4	10.2
S&P 500	0.0	13.4	29.6	11.4	1.3	4.7	0.6	4.4	-0.3	11.2
Nasdaq-Composite	-1.8	15.9	38.3	13.4	0.5	5.0	1.9	5.4	2.9	14.3
Japan										
Nikkei 225	-17.3	22.9	56.7	7.1	-9.0	2.3	6.7	7.9	10.3	30.0
Topix	-18.9	18.0	51.5	8.1	-7.6	5.0	5.0	6.1	10.9	29.7

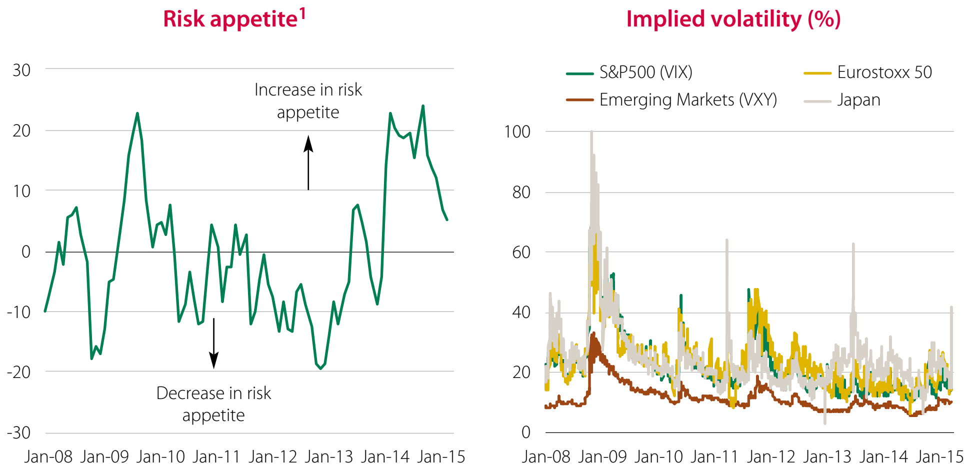
Source: Datastream.

1 In local currency.

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

Financial market indicators

FIGURE 7



Source: Thomson Datastream and CNMV.

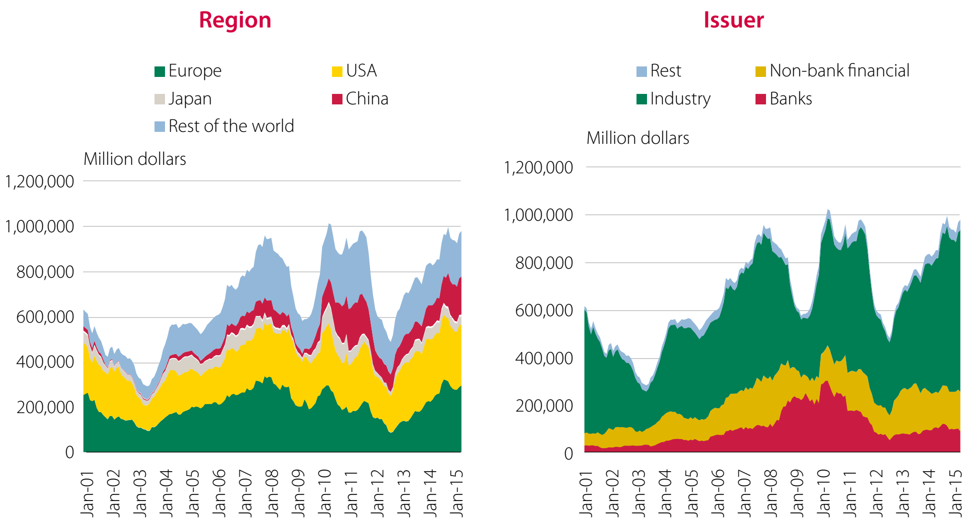
1 State Street indicator.

Global equity issuance reaches 936 billion dollars, 12.3% more than in 2013, with Europe and China especially dynamic.

Equity issuance on international markets summed 936 billion dollars in 2014, 12.3% more than in 2013. The most popular vehicles were public offers for subscription, which raised over 263 billion dollars (52% up vs. 2013). Increased appetite for risk and the more supportive tone of markets sent investors rushing into shares to the detriment of lower-risk instruments, above all in Europe and China, where issuance surged by 22.7% and 77.6% respectively. Industrial firms (ex. utilities) led the advance, raising 639 billion dollars in equity capital (an increase of 19.8%). And figures for the opening months of 2015 suggest share issuance has continued buoyant (see figure 8).

Global equity issuance

FIGURE 8



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

2.2 National economic and financial developments

Spain's GDP expanded 0.7% in 4Q 2014 (2% year on year), improving on the rates of the preceding quarters (0.3% in 1Q and 0.5% in 2Q and 3Q). The result was average annual growth of 1.4% and a clear break with the contraction trend of recent years (-1.2% in 2013, -2.1% in 2012 and -0.6% in 2011). This was also the first time since 2008 that the Spanish economy outperformed the euro-area average (1.1%).

Spanish GDP grows by an annual 2% in 4Q 2014 for an average rate of 1.4%, opening up a lead vs. the euro area (1.1%) and breaking with the contraction trend of recent years.

The year also brought a significant change in the growth mix by GDP component. For the first time since the start of the crisis, domestic demand input positively to GDP growth, to the tune of 2.2 percentage points, while net exports subtracted 0.8% points. As table 2 shows, most demand components managed a sturdy year-long advance, contrasting with the setbacks of 2013. Private and government consumption rose by 2.4% and 0.1% respectively after the -2.3% and -2.9% of 2013. Gross capital formation (3.4% vs. -3.7% previously) received a two-way boost from an upswing in equipment investment (12.3% vs. 5.6%) and a slower decline in construction investment (-1.4% vs. -9.2%). In the foreign sector of the economy, exports rose by 4.2%, on a par with the previous year, while imports fought back to strength with an annual advance of 7.7% (-0.4% in 2013).

Domestic demand contributes positively to growth (2.2 points) for the first time since the crisis broke, against a negative contribution from the net exports side.

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

					EC[1]	
	2011	2012	2013	2014	2015F	2016F
GDP	-0.6	-2.1	-1.2	1.4	**2.3**	**2.5**
Private consumption	-2.0	-3.0	-2.3	2.4	2.7	2.6
Government consumption	-0.3	-3.7	-2.9	0.1	0.3	0.1
Gross fixed capital formation, of which:	-6.3	-8.1	-3.7	3.4	4.7	5.2
Construction	-10.6	-9.3	-9.2	-1.4	n.a.	n.a.
Equipment and others	0.9	-9.1	5.6	12.3	7.9	8.7
Exports	7.5	1.2	4.3	4.2	5.4	6.0
Imports	-0.7	-6.3	-0.4	7.7	6.9	6.7
Net exports (growth contribution, pp)	2.1	2.2	1.4	-0.8	-0.3	0.0
Employment[2]	-2.6	-4.4	-3.2	1.2	1.8	2.0
Unemployment rate	21.4	24.8	26.1	24.4	22.5	20.7
Consumer price index	3.2	2.4	1.4	-0.1	-1.0	1.1
Current account balance (% GDP)	-3.2	-0.3	1.4	0.1	0.6	0.5
General government balance (% GDP)[3]	-9.4	-10.3	-6.8	-5.6	-4.5	-3.7
Public debt (% GDP)	69.2	84.4	92.1	97.7	101.5	102.5
Net international investment position (% GDP)[4]	-81.4	-66.0	-78.9	-81.3	n.a.	n.a.

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

1 European Commission forecasts of February 2015.

2 In full-time equivalent jobs.

3 Figures for 2011, 2012 and 2013 include government aid to credit institutions amounting to 0.5%, 3.8% and 0.5% of GDP respectively. The figure for 2014, still pending at the closing date for this report, corresponds to the European Commission forecast.

4 Ex. Banco de España. 2014 data up to the third quarter.

n.a.: [data] not available.

All economic sectors, except construction, increase their value added in 2014.

On the supply side, most sector s grew their gross value added with respect to the previous year, by an average 1.5% and 1.6% respectively in industry and services (-1.1% and -1.8% in 2013), outdone by the 3.3% advance of primary activities. Only the construction sector reported a negative GVA variation, through shrinkage was less intense than in 2013 (-1.2% vs. -8.1%).

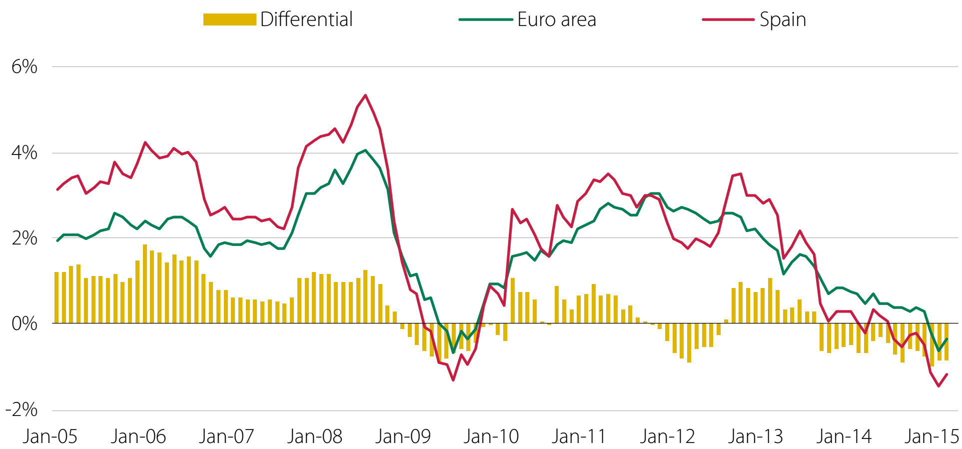
Annual inflation declines steeply on tumbling energy prices as far as -1.1% in February 2015. Core inflation rates, meantime, hold near zero.

After hovering around the zero mark over 1H 2014, Spanish inflation headed steadily downwards to a low of -1.3% in January 2015 (-1.1% in February). The decline was primarily driven by sharply falling energy prices (-11.4% year-on-year in January, -10.2% in February). Finally, the year's average headline rate was -0.1%, down from 1.4% in 2013, while core inflation, which excludes the more volatile CPI components, progressed more stably, within the narrow interval of -0.1% to 0.3%, to close at an average of near zero (1.5% in 2013). Spain's inflation differential vs. the euro area, negative since mid-2013, closed the year at -1.0 percentage points (-0.9 pp in February).

Economic recovery begins to feed through to labour market figures, in the shape of a 1.2% increase in employment and a two-point reduction in the jobless rate to 23.7%.

The gathering recovery of 2014 cut short the labour market deterioration of recent years, with an increase in the number of people in work and a small decrease in the unemployment rate. According to National Accounts data, employment in terms of full-time equivalent jobs returned to annual growth in the second quarter of 2014, after almost six years in decline. The advance, moreover, quickened to 2.4% in the closing quarter (1.2% on average in full-year 2014). The Labour Force Survey (LFS) revealed that unemployment rates had continued to retreat from their 1Q 2013 peak of 27%. By end-2014, specifically, the jobless rate was down to 23.7% of the active population (5.46 million unemployed), two points lower than at the 2013 close. The LFS put the increase in the employed population at 434,000 persons in 2014 (416,000 in the private sector and 18,000 in the public sector). Significantly, the number of households with all members unemployed fell for the first time since 2008, accompanied by an increase in households with all members in work. Finally, unit labour costs continued to fall, by a full-year average of 0.5%, with the decline drawing equally on lower compensation per worker (-0.2% in annual average terms) and an increase in apparent labour productivity (up by an average of 0.2%).

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



Source: Thomson Datastream. Data to February.

According to available budgetary execution figures, the general government deficit (excluding local authorities) to the month of November stood at 4.62% of GDP compared to 5.15% in the same period in 2013. Analyst projections for the full-year period locate the public sector deficit at 5.6%, a bare 0.1 points ahead of the Government's target and improving on the 6.8% of 2013. General government debt, meantime, closed at 97.7% of GDP, after advancing 5.6 points in the year. Budgetary targets for 2014-2017 assume a gradual reduction in the public deficit to around 1% of GDP, and debt/GDP ratios peaking in 2015 and descending thereafter.

Pending the budgetary execution figures for December, analysts project a public deficit of 5.6% for full-year 2014, a bare percentage point above the Government's target.

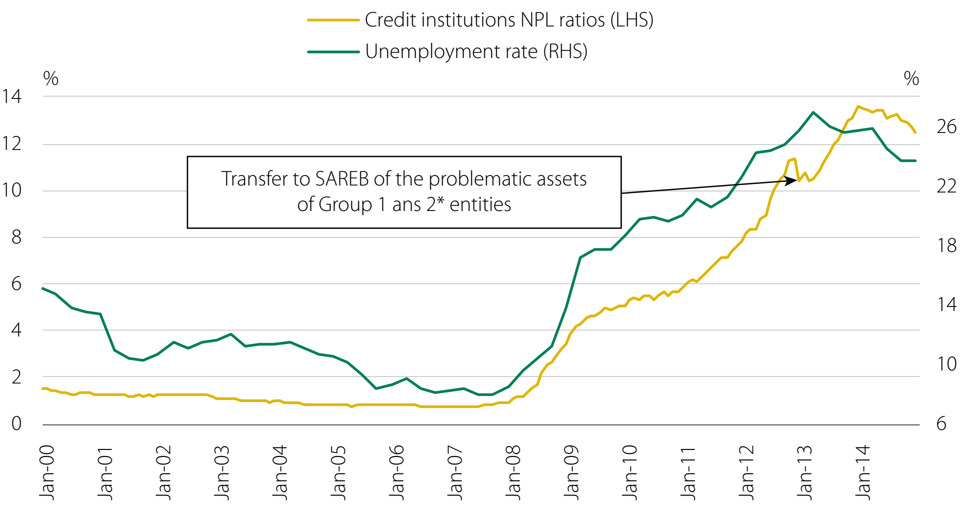
For the banking sector, the year was marked by a series of events starting with the entry to force of the capital standards known as Basel III. Also, January saw the successful conclusion of the financial assistance programme signed between the Spanish and European authorities. Finally, Spanish banks performed creditably in the sector assessment conducted by the ECB between November 2013 and October 2014 (see exhibit 1), in the run-up to the launch of the Single Supervisory Mechanism (SSM). In general, banks were able to conduct their business in a more supportive macroeconomic climate, that allowed them to boost profits while making mild inroads into non-performing loan ratios. The balance of outstanding loans continued to contract, though less so than in preceding years, with signs apparent of a slight relaxation of loan access conditions.

The banking sector, which emerged successfully from the tests applied in the run-up to the SSM, was able to conduct its business in a more supportive environment...

Bank NPL ratios receded steadily from the 13.6% high of December 2013 as far as 12.5% in December last year, while sector income statements reported profits to September of 8.33 billion euros, 41.5% more than in the first nine months of 2013. Profit growth relied heavily on reductions in impairment losses (down by 31.2% to 11.21 billion euros), while gross income dropped to 41.6 billion euros (43.07 billion in 2013) on lower inflows under net interest income and income from equity instruments.

… which facilitated income statement improvement and allowed some small inroads into still high NPL ratios.

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



Source: Banco de España and National Statistics Office (INE). Data to December 2014.

1 Percentage of the active population.

* Group 1 transfers took place in December 2012 (36.69 billion euros) and those of Group 2 in February 2013 (14.09 billion euros).

Bank lending to businesses and households declines at a slower pace, with banks apparently readier to grant credit.

The decline in bank lending to the non-financial resident sector (businesses and households) lasted through all of 2014 and the first months of 2015, albeit with some slowing of the pace. Specifically, overall lending to this sector fell by 4.1% and 4.2% in annual terms to December 2014 and January 2015 respectively (-5.9% in 2013), due to a contraction in the amount of loans outstanding. Lending to non-financial corporations declined by 4.4% in December and 4.8% in January (6.6% in 2013), with lending to households down by 3.7% and 3.5% respectively (5.1% in 2013). Despite credit contracting more sharply for businesses, the increase in funds raised through other channels (principally debt) served to temper the decline. In the euro area, lending to non-financial corporations fell 1.6% year on year to the month of November, while credit flows to households thinned by a lesser 0.4%.

Easier financing conditions have not led to an increase in bank sector debt. Instead the emphasis has been kept on slimming down balance sheets and building up the equity on their balance sheets.

Despite solid improvement in the financing conditions available to Spanish banks, the sector pressed on with the process of slimming down its balance sheet[5], with declines across all main external funding channels. These included private-sector deposits (down from 1.31 to 1.29 trillion) and outstanding debt (down from 297 to 249 billion), as well as Eurosystem borrowings, which closed the year at 141 billion euros[6] (202 billion at end-2013).

Results of the comprehensive assessment conducted on credit institutions

EXHIBIT 1

In November 2014, the European Central Bank (ECB) took on the direct supervision of Europe's largest credit institutions in order to favour the transparency and integration of the euro-area financial system and restore investor confidence. Between the months of November 2013 and October 2014, in the run-up to the launch of the Single Supervisory Mechanism (SSM), the banks to come under its supervision were subject to a thoroughgoing review. Comprehensive assessment, as the process is known, comprised two closely related parts: an initial examination of the quality of each bank's assets, providing an overview of sector standards, and the application of stress tests as a kind of macro-prudential exercise. Both legs were based on banks' consolidated balance sheets as at year-end 2013.

Running the assessment

The asset quality review (AQR[1]) consisted of an exhaustive examination of the figures and balance sheets of European banks (focusing on the highest-risk items) leading to the classification and measurement of their financial assets and instruments. To this end, each institution was asked to provide portfolios comprising different types of risks and exposures, European and global, for subsequent evaluation. After obtaining this snapshot, the next step was to determine how the results would impact on the bank's CET1[2] ratio, with the minimum threshold set at 8%. This process was conducted in a decentralised fashion.

5 From mid-year on, the sector-wide balance sheet has stood at three trillion euros for the first time since April 2008.

6 Reducing to 132 billion euros in February 2015.

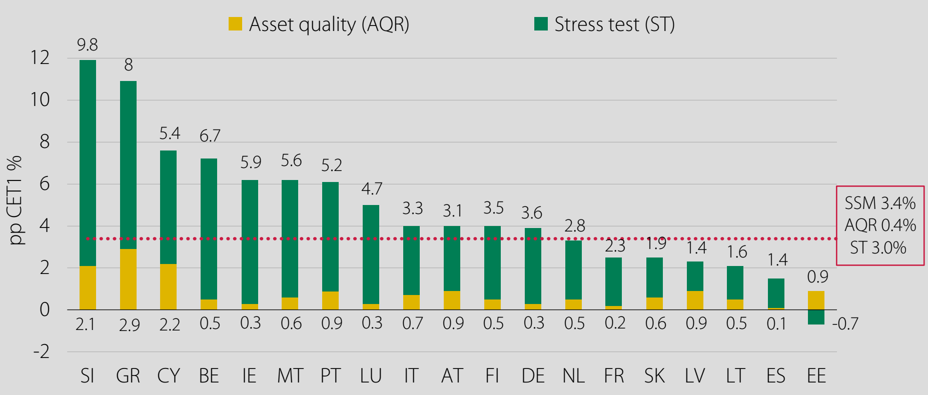
European banks were also subject to stress tests (ST[3]) to check their resilience, factoring the results of AQRs. The goal of stress testing was primarily to measure banks' capacity to absorb or withstand future losses incurred under two scenarios (baseline and adverse scenario) over a period of three years. Stress tests were devised and applied by the ECB with help from other European organisations: the European Banking Authority (EBA) for the methodology; the European Commission for the design of the baseline macroeconomic scenario; and the European Systemic Risk Board (ESRB) for the adverse scenario. Also, national competent authorities were involved in gathering data and collating the results. The minimum CET1 ratio was set at 8% under the baseline and 5.5% under the adverse scenario.

A total of 130 European institutions come under SSM supervision and assessment, including fifteen Spanish banks[4] (summing 90% of domestic bank sector assets). Between them, Spanish, French, German, Italian and Dutch banks account for 87% of the assets under supervision. An initial comparative analysis carried out by Banco de España[5] places Spain's banking sector in the top ranks of the euro-area table for 2013 by the measures of efficiency and return on equity (ROE). In terms of solvency, the Spanish institutions tested stood close to the European average despite their slightly higher leverage.

Results of the assessment

Overall, after the capital increases carried out in 2014, only 10% of the European banks analysed had a net capital shortfall with respect to the thresholds set for the AQR, the baseline ST and the adverse ST. In the case of Spain's banks, not one of the fifteen institutions analysed showed a capital shortfall in the period (see figure E.1.1).

Net impact on CET1 in the adverse scenario FIGURE E.1.1



Source: Banco de España and European Central Bank.

In Spain's case, the impact of the AQR was very limited, consuming only 14 bp of the capital ratio compared with an SSM-wide average of 42 bp. Indeed Spanish banks were found to need the least capital correction (equating to just 0.2% of risk-weighted assets). All participants, moreover, stood well clear of the required

CET1 threshold, with the exception of Liberbank whose 7.8% ratio was two basis points below (not allowing for its 2014 capital increase).

Note in regard to stress tests that the baseline scenario was based on the European Commission's forecasts[6] for each country. Also, the adverse scenario constructed for Spain was a cumulative decline in the rate of change of GDP of 1.2% over the 2014-2016 horizon (2.1% for the EU as a whole), a 2016 unemployment rate of 27.1% (13% for the EU) and long-term government bond yields in the area of 5.6% (EU average of 4.4%). Here too, the Spanish contingent did creditably well, with most banks showing a 120 bp increase in their capital ratio (30 bp for the SSM aggregate) under the more favourable scenario, and a 144 bp impact under the adverse scenario, again sizeably less than the 300 bp subtracted across the whole SSM. The resulting capital ratios of the Spanish banks stood 3.5 pp above the admissible solvency floor (9% against the 5.5% required), such that none were in the position of having to raise more equity (Liberbank again being the exception with a ratio of 7.5%, climbing to 8.2% after its capital increase).

In general, the results of the comprehensive assessment point to a more resilient banking sector suffering less impact than the European average. The reduction in the CET1 ratio amounts to 3.4 points for the SSM aggregate against just 1.6 points for the Spanish banks. The healthy margins over the minimum requirements found in the assessment reflect progress made in the clean-up and transfer of real estate assets (under the terms of royal decrees 2/2012 and 18/2012) and the sectoral restructuring measures adopted under the Financial Assistance Programme granted by the EU in summer 2012. However, the banks' apparent preparedness to ride out future macroeconomic difficulties should not distract from the task of improving sector regulation and supervision, still in its beginnings.

1 A description of the procedures and methods developed for the Asset Quality Review (AQR) has been posted on the ECB website. For more detailed information, see http://www.ecb.europa.eu/pub/pdf/other/assetqualityreviewphase2manual201403en.pdf
2 CET1 (Common Equity Tier 1) is defined in Basel III a the highest quality form of capital.
3 Stress tests apply a standard methodology to all institutions, devised by the EBA and published on its website, along with a description of the different scenarios. See https://www.eba.europa.eu/-/eba-publishes-common-methodology-and-scenario-for-2014-eu-banks-stress-test
4 The fifteen Spanish banks evaluated were: Banco Santander, BBVA, La Caixa, BFA/Bankia, Banco Popular, Sabadell, Kutxabank, Bankinter, Unicaja-CEISS, Abanca-NCG, Ibercaja, Catalunya Bank, BNM, Liberbank and Grupo Cajamar.
5 See box 2.5 of the Financial Stability report published by Banco de España in November 2014. http://www.bde.es/f/webbde/Secciones/Publicaciones/InformesBoletinesRevistas/InformesEstabilidadFinancera/14/IEF-Noviembre2014.pdf
6 The baseline scenario for 2014 and 2015 was based on the European Commission's 2014 winter forecasts; for 2016 a specific model was built.

Non-financial listed companies grow their profits 64.8% to 17.51 billion at the 2014 close…

Non-financial listed companies obtained full-year profits of 17.51 billion euros, 64.8% more than in 2013. One stand-out was the return to growth of the construction and real estate sector, which reported 755 million earnings in 2014 after a string of heavy losses. The energy sector, meantime, managed another solid performance, with profits up by 29.5% to 10.76 billion euros (8.31 billion in 2013), while industrial firms boosted their earnings from 412 million to 1.55 billion euros. Only retail and services firms lost ground in the year, with profits falling 24% to 4.39 billion euros (see table 3).

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

TABLE 3

	EBITDA[2]		EBIT[3]		Profit for the year	
Billion euros	2013	2014	2013	2014	2013	2014
Energy	17,407	18,731	9,327	10,277	8,311	10,763
Industry	3,429	4,630	2,015	3,117	412	1,550
Retail and services	28,868	26,393	15,023	13,399	5,780	4,393
Construction and real estate	3,210	4,898	354	2,586	-3,950	755
Adjustments	-58	-117	24	-40	72	47
TOTAL	**52,855**	**54,535**	**26,742**	**29,338**	**10,626**	**17,507**

Source: CNMV.

1 The table shows the earnings of firms filing information before the closing date for this report.

2 Earnings before interest, taxes, depreciation and amortisation.

3 Earnings before interest and taxes.

… and trim their debt by a further 7% to 255 billion in a context of gradual deleveraging.

The aggregate debt of non-financial listed companies, at 255 billion euros, was 7% less than at end-2013 and a full 22% less than the recent-year highs of 2010. The largest reductions corresponded to the energy sector, which cut its combined debt by 14.2% to 70.49 billion euros, followed by retail and services, down 5.69 billion, and construction and real estate, down 2.17 billion (see table 4). The industrial sector bucked the trend, albeit with a moderate increase of 1.6% to 16.88 billion euros. The result has been a steady decline in the debt/equity ratio of listed firms, with construction and real estate as the most heavily leveraged of the sectors covered.

Savings rates fall as households opt to consume more despite no significant change in disposable income.

Annual indicators on the financial position of households show that the savings rate slide persisted through the year as far as 9.1% of gross disposable income compared to 10.4% at end-2013. Disposable income having held virtually flat, this lower rate signals an upswing in household consumption, in response presumably to the improved economic and employment setting. Meantime, household gross debt-to-income and the debt servicing ratio continued to recede to just over 110% and 12.5% of gross disposable income respectively, while household wealth advanced further on the rising value of assets combined with slightly decreased liabilities.

Investment funds take a growing share of household financial investments.

Salient developments with regard to household financial investments –1.7% of GDP in 2014[7]– were the continuing popularity of investment funds (2.6% of GDP) and currency and transferable deposits (2% of GDP), contrasting with a large-scale drift out of long-term deposits and debt instruments (see figure 11).

7 Cumulative four-quarter data to 3Q 2014.

Gross debt by sector: Listed companies[1]

TABLE 4

Billion euros		2010	2011	2012	2013	2014
Energy	Debt	98,283	95,853	91,233	82,146	70,488
	Debt/Equity	0.95	0.92	0.85	0.75	0.73
	Debt/EBITDA[2]	2.81	3.27	3.26	3.41	3.76
	EBIT[3]/Interest expenses	4.15	3.30	3.14	2.90	2.97
Industry	Debt	14,948	17,586	17,232	16,609	16,881
	Debt/Equity	0.58	0.63	0.63	0.62	0.92
	Debt/EBITDA	2.11	2.54	2.38	2.17	3.65
	EBIT/Interest expenses	5.00	3.90	3.82	4.56	2.98
Retail and services	Debt	115,413	113,142	117,359	111,795	106,102
	Debt/Equity	1.60	2.01	2.00	1.99	1.92
	Debt/EBITDA	3.38	3.78	4.01	3.90	4.02
	EBIT/Interest expenses	3.94	2.45	2.02	2.08	2.05
Construction and real estate	Debt	99,917	83,716	76,236	65,066	62,893
	Debt/Equity	3.42	2.98	3.51	4.46	3.44
	Debt/EBITDA	11.18	15.00	15.17	18.87	12.84
	EBIT/Interest expenses	0.98	0.52	0.32	0.09	0.64
Adjustments[4]	Debt	-1,792	-1,404	-1,429	-1,395	-1,381
TOTAL	**Debt**	**326,769**	**308,893**	**300,633**	**274,221**	**254,983**
	Debt/Equity	1.43	1.44	1.41	1.33	1.36
	Debt/EBITDA	3.84	4.29	4.32	4.29	4.68
	EBIT/Interest expenses	3.12	2.30	2.06	1.99	1.96

Source: CNMV.

1 Data up to and including 2013 correspond to all non-financial listed companies, while data for 2014 are confined to those filing information before the closing date for this report.

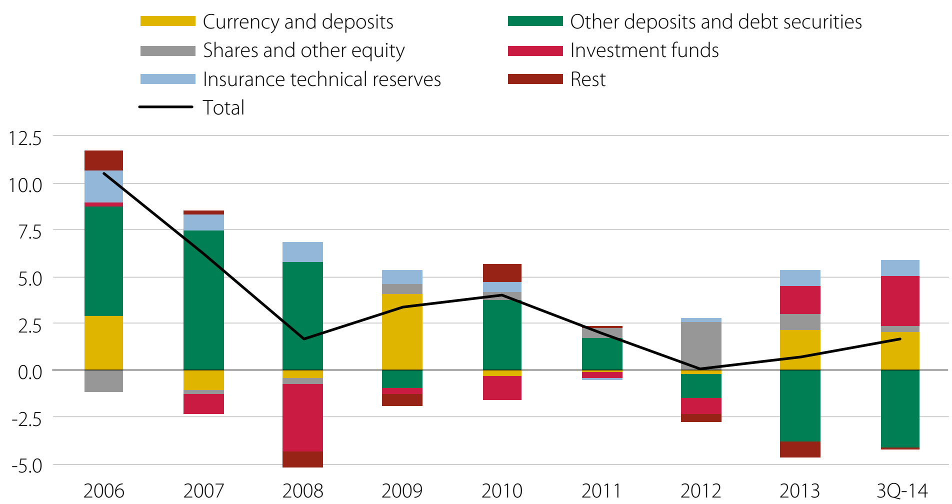
2 Earnings before interest, taxes, depreciation and amortisation.

3 Earnings before interest and taxes.

4 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.

Households: Net financial asset acquisitions

FIGURE 11



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

2.3 Outlook

In its latest forecasts, the International Monetary Fund (IMF) projects global growth quickening from 3.3% in 2014 to 3.5% in 2015 and 3.7% in 2016, a mark-down of 0.3 points with respect to the previous round (see table 5). The revision owes exclusively to the somewhat worse prospects of emerging market economies, which will nonetheless conserve their solid growth lead. Specifically, the emerging group is expected to expand by 4.3% in 2015 and 4.7% in 2016, ahead of the flat 2.4% of the advanced economies.

Global growth will edge up from 3.3% in 2014 to 3.5% in 2015 and 3.7% in 2016, according to the IMF.

Gross domestic product (annual % change) TABLE 5

					IMF[1]	
	2011	2012	2013	2014	2015F	2016F
World	4.1	3.4	3.3	3.3	3.5 (-0.3)	3.7 (-0.3)
United States	1.6	2.3	2.2	2.4	3.6 (+0.5)	3.3 (+0.3)
Euro area	1.8	-0.7	-0.5	1.1	1.2 (-0.2)	1.4 (-0.3)
Germany	3.7	0.6	0.2	1.6	1.3 (-0.2)	1.5 (-0.3)
France	2.1	0.4	0.4	0.4	0.9 (-0.1)	1.3 (-0.2)
Italy	0.7	-2.3	-1.9	-0.4	0.4 (-0.5)	0.8 (-0.5)
Spain	-0.6	-2.1	-1.2	1.4	2.0 (+0.3)	1.8 (=)
United Kingdom	1.6	0.7	1.7	2.6	2.7 (=)	2.4 (-0.1)
Japan	-0.4	1.8	1.6	0.0	0.6 (-0.2)	0.8 (-0.1)
Emerging economies	6.2	5.1	4.7	4.4	4.3 (-0.6)	4.7 (-0.5)

Source: Thomson Datastream and IMF.

1 In brackets, change vs. the previous forecast. IMF forecasts published January 2015 with respect to October 2014.

Among the upside risks to this outlook we can cite, first and foremost, the oil price slide, which will boost the growth rates of importing countries. It is also reasonable to assume that the monetary expansion launched by the ECB will impact positively on euro-area activity. However certain downside risks are also present in the shape of fresh bouts of financial market turmoil in response to the political uncertainties emanating from Greece and the process of renegotiating the country's debt. A further risk dimension relates to geopolitical conflict in other world areas. And then there is the prospect of the US bringing forward its rates upcycle, and the resulting knock-on effect on risk premiums, particularly damaging to emerging market economies that rely on maintaining stable capital flows. In Europe, doubts persist about the threat of deflation and the strength of economic recovery, though in the latter case the ECB's latest decisions have gone some way to restoring confidence.

Although a series of factors could boost growth in some world regions, projection risks are tilted to the downside.

The IMF projects that the Spanish economy will grow 2% in 2015 (an upgrade of 0.3 points vs. its previous estimate) and 1.8% in 2016. Both forecasts are slightly lower than the rates forecast by other institutions and analysts, for 2015 particularly, which in some cases approach or exceed 2.5%. Although falling oil prices and the improved economic climate have undoubtedly boosted domestic activity, risks persist related to the need to press on with fiscal consolidation and the fact that unemployment will remain high for some time to come. A third risk dimension comes in

In Spain's case, the IMF is looking for 2% growth in 2015, although other institutions augur rates upwards of 2.5%. The oil price tumble will boost growth in the economy, but risks related to fiscal consolidation and labour market deterioration have not gone away.

the form of a deflation scenario, here and in the euro area, which would hurt the economy's most heavily indebted sectors. However, the more vigorous private consumption augured for this year and the fact that most of the slowdown in the CPI has its origin in the energy component (oil) make it less likely that this risk will materialise.

3 Spanish markets

3.1 Equity markets

Spanish shares rally strongly in 1Q 2015, after the price falls of end-2014 and despite the events unfolding in Greece.

Equity markets shook off the losses of the closing months of 2014 to start the new year with a strong price rebound. The rally, also experienced in other European markets, went through moments of heightened volatility, but overall reflected the improved prospects for the Spanish economy while pricing in some of the effects of the ECB's new asset-buying programme. The buoyant mood of the opening quarter also proved an incitement to issuers, with over 15 billion raised in equity capital (almost half last year's amount), while market turnover rose 33.4% in annual terms to 202.8 billion euros. On this last score, trading in Spanish shares continued to drift from home exchanges to other venues, whose market share is already over 20%[8]. Ibex 35 liquidity conditions remained satisfactory in the opening months.

The ECB's announced asset-purchase programme sends share prices soaring: the Ibex 35 gains 7.3% and other domestic indices fare even better.

Against this backdrop, the Ibex 35 gained 7.3% after losing ground in the second half of 2014 (-0.9% and -5% in the 3Q and 4Q respectively). Other Spanish indices fared even better, with small and medium cap indices advancing 18.1% and 28.5% respectively year to date (see table 6). In year-on-year terms, increases topped 10% across the board, the sole exception being the small cap index, which shed over 2% due to heavy losses in 2H 2014. Conversely, the indices tracking the Latin American stocks traded on domestic platforms began the year in bearish mood, with losses of 8% and 4.9% respectively on the FTSE Latibex All-Share and the FTSE Latibex Top.

Stock market sectors perform more evenly with across-the-board increases stretching in some cases to nearly 20%.

The mixed fortunes of 4Q 2014 gave way to a broad front advance in 2015 (see table 6). The largest gains corresponded to basic materials, industry and construction (19.4%), consumer goods (19.1%), consumer services (16.7%) and technology and communications (11.6%), in contrast to oil and energy (4.1%) and financial and real estate services (1.5%), both of which underperformed the index. In annual terms, all sectors shared in the advance except financial and real estate services, whose flat performance vs. 1Q 2014 evidences the drag effect of bank sub-sector shares.

The P/E ratio edges higher in 1Q 2015 to just above its historical average.

The price-earnings ratio (P/E) of the Ibex 35 broke out of the downtrend lasting through the second half of 2014 (from 16.3 in June to 14.8 in December) and rose slightly to 15.7 in line with the run-up in share prices. As figure 12 shows, the earnings multiples of all leading indices, except Japan's Topix, closed the first-quarter period ahead of the average values for 2000-2015.

8 Estimate based on CNMV and Bloomberg data from 1 January 2015 to 13 March 2015.

Performance of Spanish stock market indices and sectors (%)

TABLE 6

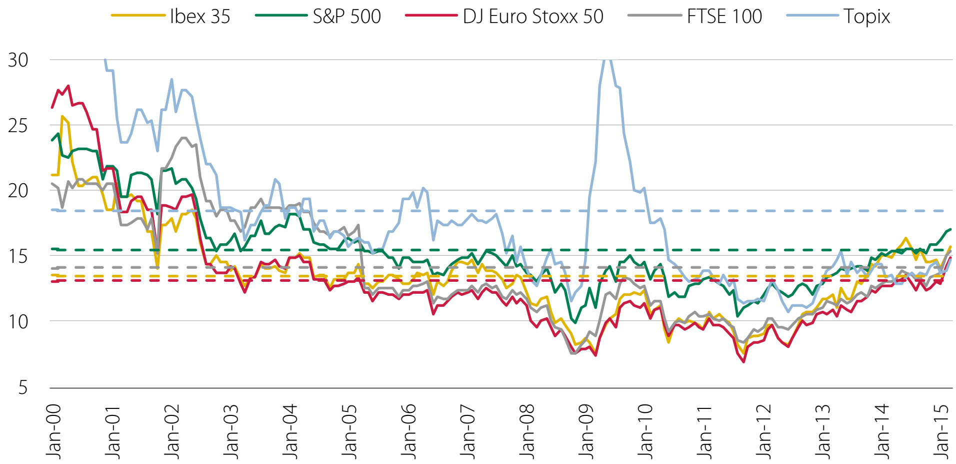
Index	2011	2012	2013	2014	3Q 14[1]	4Q 14[1]	1Q 15 (to 13 March) %/prior qt.	% y/y
Ibex 35	-13.1	-4.7	21.4	3.7	-0.9	-5.0	7.3	10.9
Madrid	-14.6	-3.8	22.7	3.0	-1.0	-5.6	7.5	10.0
Ibex Medium Cap	-20.7	13.8	52.0	-1.8	-8.6	-1.7	18.1	10.2
Ibex Small Cap	-25.1	-24.4	44.3	-11.6	-13.6	-14.0	28.5	-2.3
FTSE Latibex All-Share	-23.3	-10.7	-20.0	-16.1	5.0	-20.8	-8.0	-7.5
FTSE Latibex Top	-17.1	-2.6	-12.4	-11.1	3.8	-14.7	-4.9	0.6
Sector[2]								
Financial and real estate services	**-18.9**	**-4.7**	**19.9**	**1.4**	**0.8**	**-10.8**	**1.5**	**0.0**
Banks	-20.3	-4.8	18.8	1.6	1.3	-11.4	0.6	-0.7
Insurance	12.5	-2.0	47.3	-9.2	-6.0	1.0	12.3	2.6
Real estate and others	-47.5	-14.4	38.3	36.3	-5.8	-8.2	17.2	14.5
Oil and energy	**-2.7**	**-16.0**	**19.0**	**11.8**	**1.6**	**-6.8**	**4.1**	**12.2**
Oil	14.9	-35.4	19.5	-15.1	-2.4	-17.3	4.7	-7.6
Electricity and gas	-10.8	-5.4	18.7	21.7	2.7	-4.1	3.9	18.4
Basic materials, industry and construction	**-14.3**	**-8.0**	**28.9**	**-1.8**	**-8.2**	**-9.7**	**19.4**	**9.8**
Construction	-6.9	-9.3	26.5	8.9	-8.4	-3.7	14.1	13.4
Manufacture and assembly of capital goods	-12.2	-8.8	55.4	-18.3	-14.9	-7.2	30.3	7.0
Minerals, metals and metal processing	-33.7	-8.7	11.5	4.5	-1.3	-8.2	16.3	19.2
Engineering and others	-29.0	3.8	7.6	-17.0	-7.0	-33.3	29.0	-7.4
Technology and telecommunications	**-20.9**	**-18.3**	**22.8**	**2.5**	**-1.5**	**-0.8**	**11.6**	**20.0**
Telecommunications and others	-20.8	-23.0	17.1	2.6	-1.1	-2.7	10.6	19.7
Electronics and software	-21.3	39.4	56.8	2.3	-3.2	7.9	16.3	21.8
Consumer goods	**5.7**	**55.6**	**17.1**	**-1.5**	**-5.5**	**6.0**	**19.1**	**28.0**
Textiles, clothing and footwear	12.7	66.2	13.5	-1.1	-2.7	8.4	18.8	37.9
Food and drink	-6.3	25.0	4.7	-5.2	-3.4	-3.1	26.9	29.7
Pharmaceutical products and biotechnology	-7.3	68.3	39.6	-1.0	-14.2	1.1	16.4	2.1
Consumer services	**-24.2**	**12.7**	**58.9**	**10.0**	**-3.6**	**12.6**	**16.7**	**26.6**
Motorways and car parks	-3.7	5.7	36.5	6.8	-6.9	5.1	-0.5	6.4
Transport and distribution	-34.9	29.7	116.4	27.9	1.8	31.3	28.3	53.0

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.

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



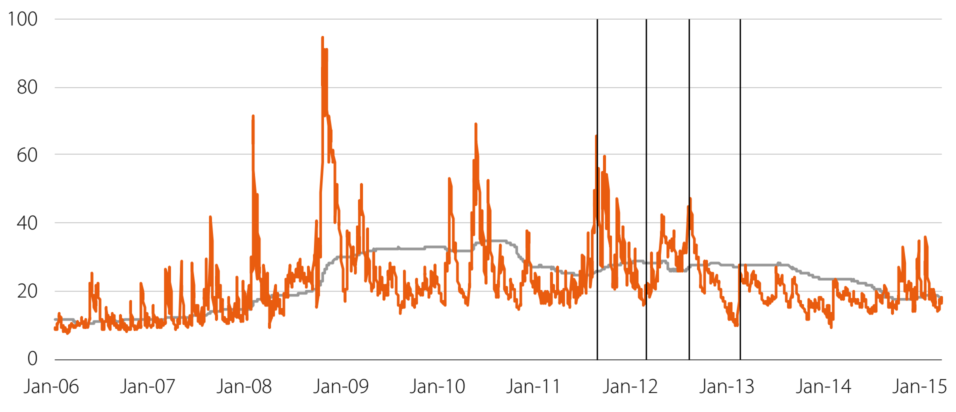
Source: Thomson Datastream. Data to 13 March.

1 Twelve-month forward earnings.

Issues in Greece trigger brief volatility upswings in January, with peaks of over 35%, though levels ease subsequently to under 20%.

Ibex 35 volatility spiked on various occasions in the first weeks of 2015 in response to political uncertainty in Greece, just before the ECB's 22 January announcement of its quantitative easing program. Readings peaked briefly at over 35% before settling back below 20% (see figure 13) on a par with the average for 2014 (18.2%). The pattern was broadly similar to that of other European indices and some in the United States, though note that index volatility was considerably more muted in this last country (holding below 20% even at times of heightened instability).

Historical volatility of the Ibex 35 FIGURE 13

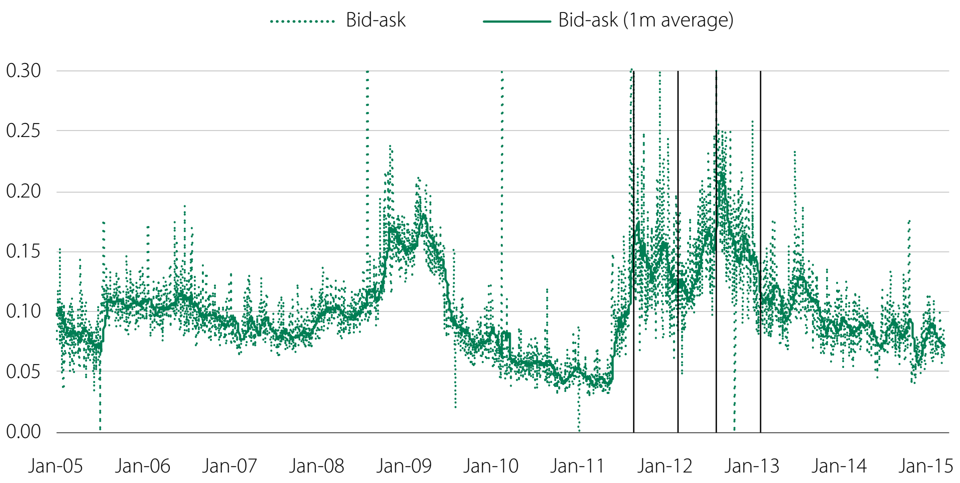


Source: Thomson Datastream and CNMV. Data to 13 March. The red line indicates conditional volatility and the grey line unconditional volatility. The vertical lines refer to the introduction and lifting of the short-selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting on 23 July 2012 and ending on 1 February 2013.

Ibex 35 liquidity conditions remain satisfactory…

The slight deterioration in Ibex 35 liquidity conditions observable since late November 2014 gave way to a new improvement trend in January 2015 (see figure 14). Specifically, the bid-ask spread rebounded from the 0.056% low of last November to 0.09% at end-January 2015, before narrowing back to 0.07% at the closing date for this report. The historical average for this indicator stands at 0.10%.

Ibex 35 liquidity. Bid-ask spread (%) FIGURE 14

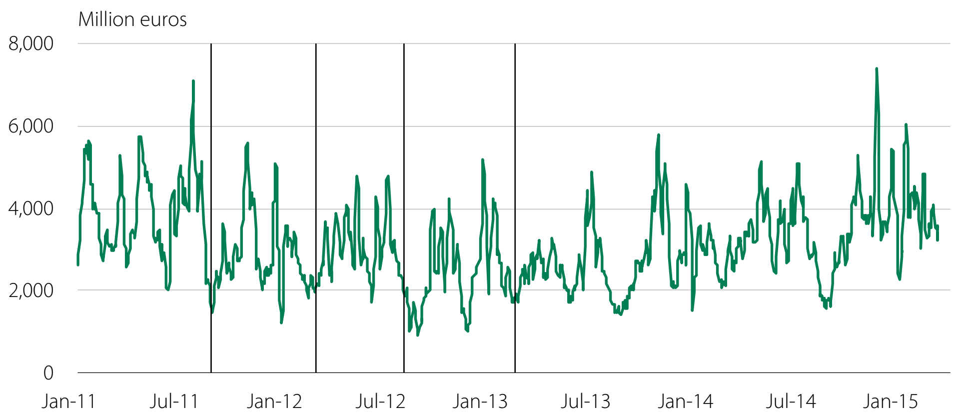


Source: Thomson Datastream and CNMV. Data to 13 March. The curve represents the bid-ask spread of the Ibex 35 along with the average of the last month. The vertical lines refer to the introduction and lifting of the short-selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting on 23 July 2012 and ending on 1 February 2013.

… while trading in Spanish shares expands significantly on domestic markets…

Trading on Spanish stock markets swelled by 24.7% in 2014 to over 864 billion euros[9]. Falling bond yields contributed to the upswing, which was replicated on other leading world markets. The trend, moreover, has lasted through the opening months of 2015, with trading volumes upwards of 202 billion, 33.4% more than in 1Q 2014. Average daily volume, meantime, stood at 3.38 billion euros in 2014 and 4.06 billion in 1Q 2015, improving by a large margin on the 2.72 and 2.70 billion euros respectively of 2013 and 2012 (see figure 15).

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



Source: CNMV. Data to 13 March. 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.

9 Ex. trading volumes on MAB and Latibex and in ETFs.

… and other European regulated markets and MTFs.

Trading in Spanish listed shares on other European regulated markets and MTFs continued to augment. Business on these foreign markets has topped 55 billion euros[10] year to date, with the Chi-X platform particularly turning over more than 31 billion euros in Spanish shares (see table 7). On the basis of these figures, non-domestic venues now command a market share exceeding 20% of total value traded (15.2% in 2014 and 10.1% in 2013).

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

Million euros	2011	2012	2013	2014	3Q 14	4Q 14	1Q 15[2]
Total	**926,873.7**	**709,902.0**	**764,986.6**	**1,002,189.0**	**221,436.2**	**308,216.9**	**255,953.0**
Listed on SIBE (electronic market)	**926,828.6**	**709,851.7**	**764,933.4**	**1,002,095.9**	**221,396.8**	**308,191.3**	**255,944.5**
BME	912,176.9	687,456.1	687,527.6	849,934.6	188,289.5	260,645.9	199,980.0
Chi-X	11,120.3	16,601.3	53,396.7	95,973.0	19,414.9	31,253.0	31,718.3
Turquoise	707.7	3,519.6	11,707.9	28,497.5	8,321.7	9,576.8	9,999.6
BATS	1,276.4	2,261.9	10,632.1	18,671.0	4,202.0	5,142.8	7,454.0
Others[2]	1,547.3	12.8	1,669.2	9,019.8	1,168.7	1,572.8	6,792.6
Open outcry	**42.8**	**49.9**	**51.4**	**92.4**	**39.1**	**25.6**	**8.0**
Madrid	16.1	3.0	7.3	32.7	27.1	0.8	0.7
Bilbao	0.1	8.5	0.1	14.3	0.0	0.1	2.8
Barcelona	26.4	37.7	44.1	45.2	12.0	24.6	4.4
Valencia	0.3	0.7	0.0	0.3	0.0	0.1	0.0
Second market	**2.3**	**0.4**	**1.7**	**0.7**	**0.2**	**0.1**	**0.5**
Memorandum item							
BME trading of foreign shares[3]	5,206.0	4,102.0	5,640.0	14,508.9	3,681.8	5,123.2	2,800.1
MAB	4,379.9	4,329.6	5,896.3	7,723.2	1,704.3	1,828.7	1,483.2
Latibex	357.7	313.2	367.3	373.1	76.6	82.5	67.6
ETFs	3,495.4	2,736.0	4,283.9	9,849.4	2,476.1	2,781.9	2,303.3
Total BME trading	925,661.3	698,987.5	703,768.7	882,482.3	196,267.6	270,487.8	206,642.7
% Spanish shares on BME vs. total Spanish shares	98.4	96.8	89.9	84.8	85.0	84.6	78.1

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 13 March.

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.

Share issuance moves up a gear, with 15.1 billion raised in 1Q 2015 (almost half of last year's total).

Equity issuance on domestic markets summed 15.1 billion euros in the first quarter, almost half of the total issued in the whole of 2014 (see table 8) and a full 11.41 billion more than in 1Q 2014, with growth drawing on both capital increases and public offerings (up by 7.10 and 4.31 billion respectively). Although the step-up in issuance extended to all sectors, two placements by one Spanish banking major stand out above the rest, accounting for 61% of the quarterly total. As regards the

10 On the basis of Bloomberg data.

issuance mix, capital increases without trading warrants and public offerings tended to dominate to the detriment of scrip dividends (17% of the total raised in 1Q 2015 compared to 38% in full-year 2014).

Capital increases and public offerings

TABLE 8

	2012	2013	2014	2Q 14	3Q 14	4Q 14	1Q 15
NUMBER OF ISSUERS[1]							
Total	**30**	**39**	**55**	**27**	**25**	**22**	**22**
Capital increases	30	39	53	27	24	21	20
Of which, through public offer for subscription	3	5	6	4	2	0	0
Public offering of shares	3	0	4	2	1	1	2
NUMBER OF ISSUES[1]							
Total	**95**	**145**	**147**	**43**	**39**	**33**	**28**
Capital increases	92	145	140	40	37	31	26
Of which, through public offer for subscription	3	5	8	4	2	0	0
Public offering of shares	3	0	7	3	2	2	2
CASH AMOUNTS[1] (billion euros)							
Total	**29,521.6**	**39,126.2**	**32,762.4**	**9,069.9**	**5,863.5**	**13,009.8**	**15,095.8**
Capital increases	28,290.2	39,126.2	27,875.5	7,833.7	5,345.8	9,876.9	10,786.3
Public offers for subscription	2,450.5	1,742.8	2,951.5	1,650.0	401.5	0.0	0.0
Bonus issues	8,424.2	9,932.8	12,650.8	2,439.6	3,008.7	4,335.0	2,616.2
Of which scrip dividend[2]	8,357.9	9,869.4	12,573.8	2,439.5	2,931.7	4,335.0	2,616.2
Capital increase by conversion[3]	10,982.4	7,478.8	3,757.9	1,470.0	1,227.5	35.1	411.5
Capital contribution in kind[4]	1,867.5	231.6	2,814.5	0.5	314.7	2,497.3	242.4
With preferential subscription right	4,560.6	11,463.1	2,790.8	1,738.2	50.5	1,002.1	6.2
Without trading warrants	5.0	8,277.1	2,909.9	535.4	342.9	2,007.4	7,509.8
Public offering of shares	1,231.4	0.0	4,886.9	1,236.2	517.7	3,132.9	4,309.5
Memorandum item: MAB transactions[5]							
Number of issuers	9	7	10	3	5	1	4
Number of issues	11	14	15	3	5	4	4
Cash amounts (million euros)	35.8	45.7	130.1	43.4	53.3	23.5	7.6
Million euros	35.8	45.7	130.1	43.4	53.3	23.5	7.6
Of which, through public offer for subscription	6.8	1.8	5.0	5.0	0.0	0.0	0.0
Public offering of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: BME and CNMV. Data to 13 March.

1 Transactions registered with the CNMV. Not including data from MAB, ETFs or Latibex.

2 In scrip dividends, the issuer grants shareholders the right to collect a monetary dividend or to have it converted into shares as part of a bonus issue.

3 Includes capital increases to meet the conversion of bonds and debentures into shares, the conversion of employee options or the execution of warrants.

4 Capital contributions in kind are stated at their market value.

5 Transactions not registered with the CNMV.

First ESMA report on high frequency trading (HFT) in Europe EXHIBIT 2

At end-2014, the European Securities Market Authority (ESMA) unveiled the results of a study into high-frequency trading activity in EU equity markets, as published in the report of the same name[1].

The first step in the review was to decide which trading practices come within this definition. Two main approaches have been used in the literature: i) the direct approach, which involves identifying investment firms engaging in high-frequency trading and/or using services of a related nature, of types such as colocation (a service offered by organised trading platforms that allows market participants to locate their devices in close proximity to the platform's matching engine so they can access their order books without latencies), and ii) the indirect approach which judges an activity to be high-frequency training on the basis of participants' trading patterns (the lifetime of orders, the number of orders sent to the market, order-to-trade ratios, etc.). ESMA has chosen to employ a mixture of the two: direct, via analysis of the trading activity of investment firms tagged as high-frequency traders; and indirect, utilizing the time orders remain in the system before being cancelled or filled.

The study sample comprises one hundred shares, twelve of which are traded in Spain, while the observation period was May 2013. The choice of shares from each country was arrived at using a statistical tool known as stratified sampling. ESMA then set out to assess the extent of HFT activity in Europe by reference to the value traded of shares, the number of orders and the number of trades.

Applying the direct approach, flagged investment firms engaging in HFT activity accounted for 24% of value traded in the study period. Meantime, the indirect approach based on the lifetime of orders found that high-frequency trading represented 43% of value traded. This last percentage coincides with the findings of similar studies conducted on a single-country basis.

For the number of trades, estimates of HFT activity stand at 30% under the direct and 49% under the indirect approach, while for the number of orders the corresponding percentages are a considerably higher 58% and 76% respectively.

Among the study's conclusions is that the size of HFT trades is smaller than that of other trades. Further, their use of multiple submissions (a hallmark of this type of trading) gives HFT firms a notably higher market share by number of orders than other market participants.

Results also show that the level of HFT activity varies widely between trading venues, being higher on entrant MTFs like BATS Europe, Chi-X Europe and Turquoise that traditional regulated markets. Moreover, investment firms flagged as HFT traders belong to more trading platforms than other participants, suggesting that many of them engage in cross-venue price arbitrage.

ESMA now plans to conduct further studies to elucidate:

– The extent of HFT's actual contribution to market liquidity.

– The factors driving the emergence and growth of HFT.

– The potential risks and benefits attached to HFT activity.

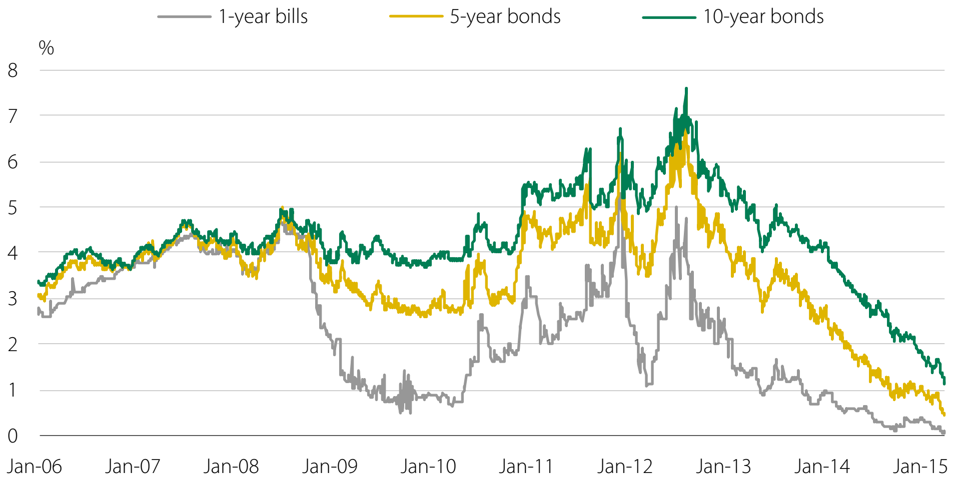
1 http://www.esma.europa.eu/system/files/esma20141_-_hft_activity_in_eu_equity_markets.pdf

3.2 Fixed-income markets

Spanish bond markets begin 2015 as they ended 2014, and experience little fallout from upheavals in Greece.

Domestic fixed-term markets steered a firm course in the opening quarter, with barely a ripple in response to the uncertainties surrounding Greece. Sovereign and corporate bond yields headed lower in the period in both short and long maturities as investors began to price in the effects of the ECB's new bond-buying programme. By mid-March, most of these yields were at record lows, creating an environment supportive of companies' investment decisions. Credit risk premiums had a few shaky moments in the opening months of 2015, but by the end of the quarter had settled back to around 90 bp for both public-sector[11] and corporate borrowers (averaging financial and non-financial spreads). Easier financing conditions prompted a sizeable increase in the amount of fixed-income issues filed with the CNMV, as far as 27.61 billion euros (68.4% more than in 2014[12]).

Spanish government debt yields FIGURE 16



Source: Thomson Datastream. Data to 13 March.

11 There are small differences between the sovereign risk premium as measured by the spread between the Spanish ten-year bond and equivalent German benchmark and by the five-year CDS of the Spanish sovereign bond.

12 Dropping to 41.8% if we exclude the issuance of the SAREB (asset management company for assets arising from bank restructuring).

Yields decline further at the short end of the curve…

In this context, short-term treasury yields broke through the lows of last September. By mid-March, three-month, six-month and one-year Letras del Tesoro were trading at 0.02%, 0.06% and 0.07% respectively, after falling between 10 and 27 bp. In the private sector, yields on commercial paper dropped in the quarter by between 15 and 54 bp, with rates at issuance in three-month, six-month and one-year tenors down to March averages of 0.39%, 0.37% and 0.64% respectively (see table 9).

Short-term interest rates[1] TABLE 9

%	Dec 12	Dec 13	Dec 14	Sep 14	Dec 14	Mar 15[2]
Letras del Tesoro						
3 months	1.14	0.54	0.12	0.05	0.12	0.02
6 months	1.68	0.70	0.25	0.10	0.25	0.06
One year	2.23	0.91	0.34	0.17	0.34	0.07
Commercial paper[3]						
3 months	2.83	1.09	0.55	0.83	0.55	0.39
6 months	3.58	1.36	0.91	1.25	0.91	0.37
One year	3.80	1.59	0.91	0.99	0.91	0.64

Source: Thomson Datastream and CNMV.
1 Monthly average of daily data.
2 Data to 13 March.
3 Interest rates on issuance.

… and in longer maturities, with ten-year government yields down to mid-March levels below 1.2%.

Yields on medium and long-term sovereign bonds traced a parallel decline to those of shorter-dated instruments, with falls in the interval of 42 to 51 bp. By mid-March, three, five and ten-year yields were down to historic lows of 0.23%, 0.51% and 1.26% respectively (see table 10). Corporate bond yields also decreased significantly, with longer maturities to the fore, and by mid-March were trading at 0.69%, 1.68% and 1.99% respectively in three, five and ten-year tenors.

Medium and long bond yields[1] TABLE 10

%	Dec 12	Dec 13	Dec 14	Sep 14	Dec 14	Mar 15[2]
Government bonds						
3 years	3.40	2.00	0.65	0.52	0.65	0.23
5 years	4.22	2.68	0.96	0.94	0.96	0.51
10 years	5.35	4.15	1.77	2.23	1.77	1.26
Corporate bonds						
3 years	4.19	2.63	0.84	0.96	0.84	0.69
5 years	4.66	2.84	1.88	1.80	1.88	1.68
10 years	6.79	4.46	2.32	2.77	2.32	1.99

Source: Thomson Datastream, Reuters and CNMV.
1 Monthly average of daily data.
2 Data to 13 March.

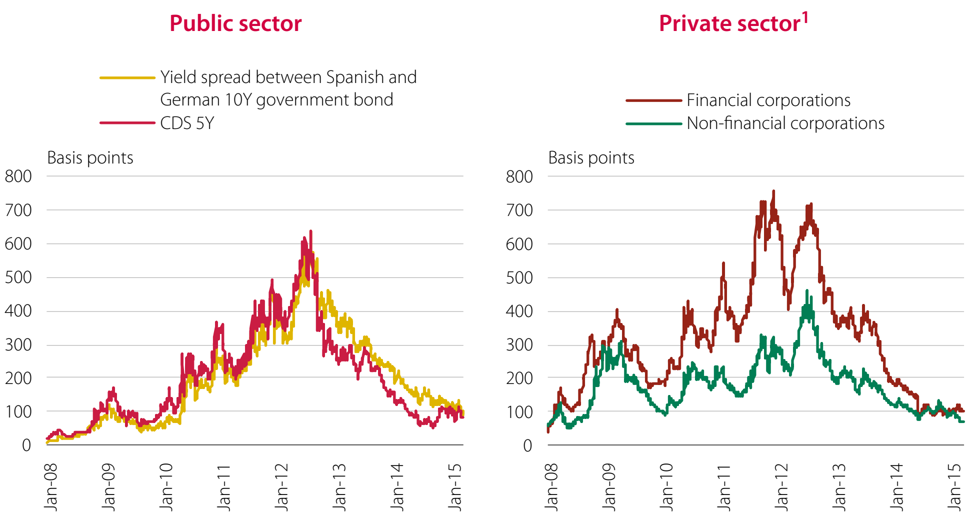
Risk premiums fluctuated at times across sectors of the economy in response to the latest news on Greece, but in most cases ended the quarter below the levels of December 2014 (the exception being financial corporations). In the sovereign sector, the Spanish/German ten-year yield spread, which closed last year at 107 bp, spiked at 135 bp in February before falling back to mid-March levels of 90 bp. The CDS spread of the Spanish sovereign bond traced a similar course, rising from 96 bp at end-2014 to a mid-February peak of 114 then dropping once more to 84 bp (see left-hand panel of figure 17).

With a few fluctuations, sovereign and corporate risk premiums tended to stabilise in 1Q 2015…

Meantime, the main first-quarter developments in corporate bond markets were the stabilising of credit risk premiums among financial corporations in contrast to the narrowing spreads of the non-financial sector. As we can see from the right-hand panel of figure 17, the CDS spreads of Spanish financial corporations averaged 102 bp in mid-March, back practically to the levels of last year's close (101 bp), while the average CDS of non-financial corporations fell from 92 bp in December 2014 to 73 bp in March.

… at close to the levels in place before the European debt crisis (or even lower in some cases).

Risk premiums of Spanish issuers FIGURE 17



Source: Thomson Datastream and CNMV. Data to 13 March.

1 Simple average of the five-year CDS of a sample of Spanish issuers.

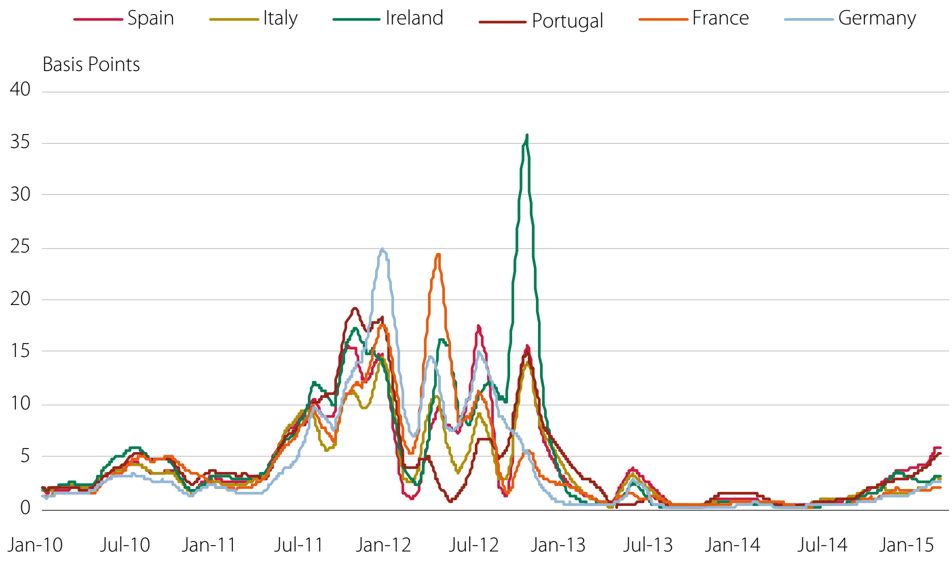
An analysis of sovereign credit risk contagion to ascertain the spillover effect on other euro-area countries of the issues surrounding the Greek economy in recent months –a new government and the uncertain outcome of the talks on its financial assistance program– reveals that levels of contagion have risen by a small margin year to date. However, as figure 18 shows, the impact is residual only compared to the shocks experienced at the heights of the European sovereign debt crisis.

The Greek situation has barely ruffled other European economies, according to sovereign credit risk contagion indicators.

The gross volume of fixed-income issues filed with the CNMV stood at 27.61 billion euros in 1Q 2015 (to 13 March), a long way ahead of the 16.40 billion of the year-ago period. The bulk of this increase traces to the SAREB (asset management company for assets arising from bank restructuring), which resumed issuance on a major scale (10.15 billion euros against the 4.09 billion of 1Q 2014). Stripping out this amount, first-quarter issuance was 41.8% higher at 17.46 billion euros.

Fixed-income issues filed with the CNMV sum a hefty 27.60 billion euros in the opening quarter.

Sovereign credit risk contagion in the euro area: Shocks from Greece[1] FIGURE 18



Source: Thomson Datastream and CNMV. Data to 13 March 2015.

1 For more details on the methodology employed to construct these indicators, see table 1.2 of the CNMV Annual Report for 2010, and the first chapter of the CNMV Quarterly Bulletin corresponding to 1Q 2011.

Although SAREB issues account for most of the increase, sales of other instruments like mortgage covered bonds climb sharply in the period.

The stand-out by instrument is probably the surge in sales of mortgage covered bonds, up from 2.25 billion in 2014 to 4.30 billion in 2015, and non-convertible bonds, up from 5.65 to 13.64 billion (see table 11). Note that the figure for this last segment includes the first internationalisation bond of a Spanish banking major, amounting to 460 million euros. These bonds are backed by export or internationalisation credits, and, like internationalisation covered bonds[13], were devised during the recent economic crisis to help firms operating in foreign markets to get round problems of access to bank finance[14].

Foreign bond sales account for a growing share of total Spanish fixed-income issuance.

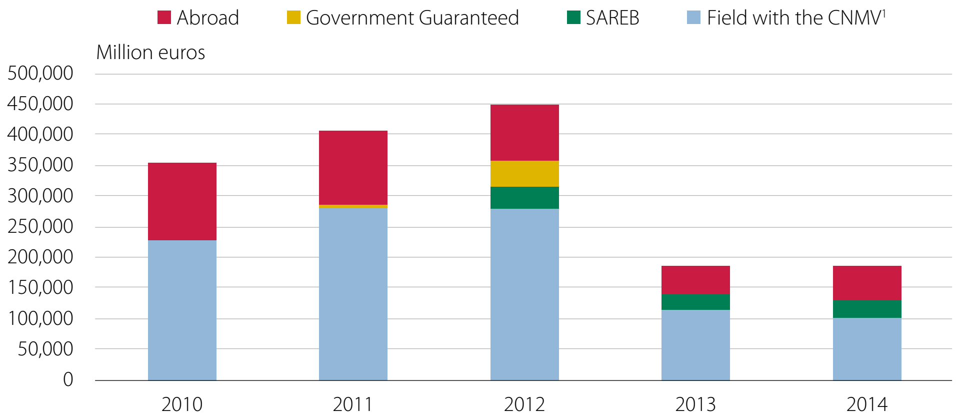
Debt issuance abroad advanced strongly in the period, taking a growing share of the overall total. In 2014, foreign sales reached 56.74 billion euros, 30% of the total, compared to 25.6% in 2013 and 20.4% in 2012 (see figure 19). The provisional figure for 1Q 2015 is upwards of six billion euros, with 61% corresponding to commercial paper and the rest to bonds and debentures (see table 11).

13 Internationalisation covered bonds are fixed-income instruments backed by a portfolio of loans and credits granted previously by the issuer and linked to the financing of export or internationalisation credits to companies meeting certain credit standards. Conversely, internationalisation bonds are only backed by loans and credits assigned to the issue by public document.

14 See Royal Decree 579/2014 of 4 July implementing certain aspects of Law 14/2013 of 27 September to support entrepreneurs and their internationalisation with regard to internationalisation bonds and internationalisation covered bonds.

Fixed-income issuance by Spanish issuers

FIGURE 19



Source: CNMV and Banco de España.

1 Issues registered with the CNMV excluding guaranteed and SAREB issues.

Gross fixed-income issues

TABLE 11

					2014		2015
Registered[1] with the CNMV	**2011**	**2012**	**2013**	**2014**	**3Q**	**4Q**	**1Q[2]**
NOMINAL AMOUNT (billion euros)	**287,490**	**357,830**	**138,839**	**130,258**	**19,886**	**62,345**	**27,615**
Mortgage bonds	67,227	102,170	24,800	23,838	3,750	5,638	4,300
Territorial bonds	22,334	8,974	8,115	1,853	135	0	3,500
Non-convertible bonds and debentures	18,692	86,442	32,537	41,155	2,536	28,025	13,637
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	7,640	15,663	0
Domestic tranche	63,453	20,627	24,980	26,972	7,550	14,460	0
International tranche	4,957	3,173	3,613	2,036	90	1,203	0
Commercial paper[3]	103,501	132,882	43,991	33,654	5,825	13,019	6,177
Securitised	2,366	1,821	1,410	620	0	0	700
Other commercial paper	101,135	131,061	42,581	33,034	5,825	13,019	5,477
Other fixed-income issues	0	0	0		0	0	0
Preference shares	200	0	0		0	0	0
Memorandum item:							
Subordinated issues	28,549	7,633	4,776	7,999	1,545	4,211	0
Covered issues	10	0	193	196	0	0	0
					2014		2015
Abroad by Spanish issuers	**2011**	**2012**	**2013**	**2014**	**3Q**	**4Q**	**1Q[4]**
NOMINAL AMOUNT (billion euros)	**120,043**	**91,882**	**47,852**	**56,736**	**11,941**	**12,251**	**6,006**
Long-term	51,365	50,312	34,452	35,281	5,918	5,977	2,315
Preference shares	0	0	1,653	5,602	1,500	0	0
Subordinated debt	242	307	750	3,000	1,500	0	0
Bonds and debentures	51,123	50,005	32,049	26,679	2,918	5,977	2,315
Asset-backed securities	0	0	0	0	0	0	0
Short-term	68,677	41,570	13,400	21,455	6,023	6,274	3,691
Commercial paper	68,677	41,570	13,400	21,455	6,023	6,274	3,691
Securitised	322	11,590	0	0	0	0	0
Memorandum item: Gross issuance by subsidiaries of Spanish companies resident in the rest of the world							
					2014		2015
	2011	**2012**	**2013**	**2014**	**3Q**	**4Q**	**1Q[4]**
NOMINAL AMOUNT (million euros)	**108,538**	**49,392**	**48,271**	**41,682**	**9,196**	**9,412**	**4,912**
Financial corporations	79,342	18,418	8,071	9,990	3,259	1,192	1,015
Non-financial corporations	29,197	30,974	40,200	31,691	5,937	8,220	3,897

Source: CNMV and Banco de España.

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

2 Data to 13 March.

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

4 Data to 31 January.

4 Market agents

4.1 Investment vehicles

Financial UCITS[15]

The fund industry consolidates the recovery begun in 2013, with 27% growth in assets under management to almost 200 billion euros. The increase draws mainly on net new sales in these investment products.

Assets under management in investment funds rose by 26.8% in 2014 to 198.72 billion euros, building on the expansion initiated the previous year (see table 13). This new growth spurt, which brings industry-wide assets close to the levels of mid-2008, had its origin primarily in net subscriptions approaching 36 billion euros (see table 12). The largest inflows corresponded to balanced fixed-income (15.71 billion euros), fixed-income (13.49 billion) and balanced equity (6.57 billion) funds, while net redemptions were highest, by a distance, in guaranteed fixed-income products (10.45 billion euros). The experience was similar the previous year with regard to the large outflows from guaranteed fund categories, but while 2013 subscriptions were mainly into fixed-income funds, the somewhat riskier balanced funds category also did good business in 2014.

Net investment fund subscriptions TABLE 12

				2014			
Billion euros	2012	2013	2014	1Q	2Q	3Q	4Q
Total investment funds inversión	**-12,737.7**	**24,133.0**	**35,972.7**	**10,069.9**	**10,766.0**	**8,828.3**	**6,308.5**
Fixed income[1]	-5,843.6	13,783.1	13,492.7	3,633.3	2,957.0	3,678.6	3,223.8
Balanced fixed income[2]	-775.2	2,059.3	15,712.0	2,323.5	4,901.7	4,103.7	4,383.1
Balanced equity[3]	-383.1	1,881.9	6,567.7	1,208.8	1,439.1	2,349.7	1,570.1
Euro equity[4]	-163.7	1,730.3	2,184.9	955.0	782.9	460.6	-13.6
International equity[5]	-420.6	900.2	531.8	422.8	376.5	-145.6	-121.9
Guaranteed fixed-income guaranteed	-853.0	-4,469.2	-10,453.6	-3,763.4	-2,662.7	-1,707.5	-2,320.0
Guaranteed equity[6]	-3,523.5	-2,070.2	-909.5	-23.7	-43.4	-566.0	-276.4
Global funds	-7.5	847.4	2,182.3	413.7	534.5	576.6	657.5
Passively managed[7]	572.1	9,538.2	4,970.9	4,357.3	2,084.9	-343.8	-1,127.5
Absolute return[7]	-1,339.4	-67.8	1,693.9	542.7	395.6	422.2	333.4

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 09. Absolute return funds were previously classed as global funds.

15 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 sub-section further ahead.

Main investment fund variables*

TABLE 13

Number	2012	2013	2014	2014 1Q	2014 2Q	2014 3Q	2014 4Q
Total investment funds inversión	**2,185**	**2,045**	**1,951**	**2,037**	**2,023**	**1,959**	**1,951**
Fixed income[1]	454	384	359	374	375	367	359
Balanced fixed income[2]	125	122	123	119	119	117	123
Balanced equity[3]	117	128	131	127	126	125	131
Euro equity[4]	127	108	103	103	104	103	103
International equity[5]	211	193	191	190	190	186	191
Guaranteed fixed-income	398	374	280	355	336	303	280
Guaranteed equity[6]	361	308	273	307	297	275	273
Global funds	192	162	162	160	163	165	162
Passively managed[7]	85	169	227	205	217	222	227
Absolute return[7]	115	97	102	97	96	96	102
Assets (million euros)							
Total investment funds	**124,040.4**	**156,680.1**	**198,718.8**	**169,513.6**	**182,735.8**	**192,199.6**	**198,718.8**
Fixed income[1]	40,664.6	55,058.9	70,330.9	59,381.8	62,740.7	66,841.2	70,330.9
Balanced fixed income[2]	5,500.9	8,138.0	24,314.3	10,600.2	15,666.0	19,917.0	24,314.3
Balanced equity[3]	3,179.9	6,312.4	13,570.4	7,648.6	9,242.9	11,668.9	13,570.4
Euro equity[4]	5,270.2	8,632.8	8,401.5	7,753.1	8,601.7	8,693.6	8,401.5
International equity[5]	6,615.0	8,849.0	12,266.4	11,693.7	12,426.8	12,151.9	12,266.4
Guaranteed fixed-income	36,445.0	31,481.2	20,417.0	27,529.5	24,920.1	23,122.1	20,417.0
Guaranteed equity[6]	14,413.2	12,503.8	12,196.4	12,810.3	12,940.7	12,497.2	12,196.4
Global funds	4,358.6	4,528.1	6,886.3	5,007.9	5,650.3	6,255.6	6,886.3
Passively managed[7]	2,991.2	16,515.9	23,837.5	21,847.0	24,898.6	24,971.5	23,837.5
Absolute return[7]	4,601.9	4,659.9	6,498.1	5,241.5	5,648.0	6,080.4	6,498.1
Unit-holders							
Total investment funds	**4,410,771**	**5,050,719**	**6,409,806**	**5,410,205**	**5,814,175**	**6,134,711**	**6,409,806**
Fixed income[1]	1,261,634	1,508,009	1,941,567	1,612,002	1,712,748	1,818,308	1,941,567
Balanced fixed income[2]	188,574	240,676	603,099	314,879	425,424	506,220	603,099
Balanced equity[3]	138,096	182,223	377,265	211,810	252,255	313,796	377,265
Euro equity[4]	220,450	293,193	381,822	323,474	347,335	384,252	381,822
International equity[5]	398,664	457,606	705,055	531,270	601,531	651,495	705,055
Guaranteed fixed-income	1,075,852	1,002,458	669,448	871,622	796,983	744,545	669,448
Guaranteed equity[6]	727,880	608,051	557,030	613,296	602,530	577,616	557,030
Global funds	101,321	128,741	223,670	146,223	168,796	195,290	223,670
Passively managed[7]	125,003	441,705	686,526	575,262	673,166	692,827	686,526
Absolute return[7]	173,297	188,057	264,324	210,367	233,407	250,362	264,324
Return[8] (%)							
Total investment funds	**5.50**	**6.50**	**3.67**	**1.71**	**1.41**	**0.43**	**0.08**
Fixed income[1]	3.54	2.28	2.41	0.89	0.67	0.55	0.28
Balanced fixed income[2]	4.95	4.16	3.67	1.57	1.34	0.71	0.01
Balanced equity[3]	7.83	10.85	4.70	1.69	1.89	0.77	0.28
Euro equity[4]	12.31	28.06	2.09	5.01	3.04	-2.35	-3.38
International equity[5]	13.05	20.30	6.61	2.22	2.92	-0.91	2.27
Guaranteed fixed-income	4.85	4.96	2.54	1.56	0.71	0.39	-0.14
Guaranteed equity[6]	5.07	6.15	2.64	1.26	1.59	0.38	-0.60
Global funds	7.44	8.71	4.63	1.65	1.69	0.68	0.54
Passively managed[7]	7.10	8.88	7.74	3.45	2.64	1.49	-0.02
Absolute return[7]	3.84	2.46	1.98	0.82	0.75	0.18	0.22

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

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

2 Includes: Euro and international balanced fixed income.

3 Includes: Euro and international balanced equity.

4 Includes: Euro equity

5 Includes: International equity.

6 Includes: Guaranteed equity and partial protection equity funds.

7 New categories as of 2Q09. All absolute return funds were previously classed as global funds.

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

Portfolio returns also input positively (3.7%). Despite sector expansion, the number of funds declined further in 2014…

Investment fund portfolio returns held in positive territory over full-year 2014 (3.7%), albeit with some underperformance vs. the two previous years and some falling-off between the first and the second half. The highest earning categories were passively managed funds, with 7.7%, and international equity, with 6.6%. Note that the portfolio returns of international and euro equity funds sank to 6.6% and 2.1% respectively from over 20% in 2013 on the more hesitant tone of equity markets, especially from mid-year onwards. Despite the industry expansion of the last two years, fund management companies kept up their rationalisation drive, with further cuts in fund numbers albeit on a rather more reduced scale. By end-December, a total of 1,951 schemes were on the register, 94 fewer than in 2013. The decline was steepest (94) in the guaranteed fixed-income category, followed by guaranteed equity (36). Passively managed funds repeated the success of the previous year with a 58 jump in numbers to 227 at the 2014 close.

… contrasting with an increase of over 1.3 million unit-holders to 6.4 million at the 2014 close.

The more buoyant mood abroad was reflected in unit-holder numbers, which swelled by some 1.3 million in the year to more than 6.4 million. Most of this new custom found its way into fixed-income and balanced fixed-income funds (an additional 434,000 and 362,000 unit-holder respectively). Only guaranteed funds lost out in the period, closing with 384,000 fewer investors.

Preliminary data for January 2015 point to continuing expansion

Preliminary data for the opening month of 2015 suggest that industry expansion retains momentum, with assets under management up by 2.8% to 204.4 billion euros and the unit-holder total up by 160,000 to 6.57 million. Fund numbers, meantime, appear to have stabilised.

Less-liquid instruments amount to just 1% of industry assets at end-2014.

The liquidity conditions of fund fixed-income portfolios continued to improve. The volume of less-liquid assets fell by almost 1.20 billion (-35%) to 2.16 billion euros (see table 14) at the 2014 close, with most of the headway made in the first six months. On this showing, the ratio of less-liquid to total industry assets dropped by one percentage point from 2.1% to 1.1%, the salient development being the declining weight (from 15.3% to 5.6%) of less-liquid instruments issued by financial corporations, from AAA down the ratings scale.

Estimated liquidity of investment fund assets

TABLE 14

	Less-liquid investments					
	Million euros			% total portfolio		
Tipo de activo	**Jun 14**	**Sep 14**	**Dec 14**	**Jun 14**	**Sep 14**	**Dec 14**
Financial fixed income rated AAA/AA	202	112	29	18%	10%	3%
Financial fixed income rated below AAA/AA	1,214	1,469	1,177	6%	7%	6%
Non-financial fixed income	280	320	328	6%	6%	5%
Securitisations	554	555	623	21%	21%	19%
AAA-rated securitisations	40	41	97	100%	100%	100%
Other securitisations	514	514	526	20%	18%	18%
Total	**2,249**	**2,457**	**2,157**	**8%**	**8%**	**7%**
% of investment fund assets	**1.2**	**1.3**	**1.1**			

Source: CNMV.

Real estate schemes

The ongoing adjustment in Spanish construction and real estate continued to bear down on the real estate investment sector. Worst off were real estate investment funds, with two deregistrations ensuing from the May spin-off of two funds and the transfer of part of their assets to financial investment funds. Earlier still, in February, another fund agreed its spin-off and transfer to a financial investment fund, concluding in its deregistration in January this year[16]. The result of these operations was a drastic reduction in real estate fund assets, down by 88.6% in 2014 to 420 million euros, while unit-holder numbers closed at a bare 4,000 after falling 30.1%. Fund portfolio returns were negative to the tune of 5.9%, although the scale of losses was less than in previous years. Also, the second-half performance (-2.1%) offered some improvement on the first (-3.9%) as real estate prices tended to level off.

Real estate schemes continued to suffer the effects of the prolonged downturn in real estate and construction. A series of closures in the year prompted a 88.6% slump in real estate fund assets.

Real estate investment companies also suffered setbacks across all main variables. Seven remained in operation at the 2014 close, three fewer than in 2013 following one new entry and four deregistrations. Asset shrinkage was mild in the circumstances, contained at 5.5% to 806.5 million euros, while shareholder numbers fell 17.4% to 845 at the December close.

Real estate company numbers and assets likewise decline, but by a significantly smaller margin.

Hedge funds

The Spanish hedge fund industry grew its assets by an overall 24.1% to 1.72 billion euros between January and November 2014, while schemes in operation numbered 55 at the annual close compared to 51 in 2013.

The hedge fund industry enjoys a period of expansion…

For pure hedge funds, 2014 marked the consolidation of the growth trend of recent years. A 31.8% advance in assets under management to 1.37 billion euros at the end of November drew equally on portfolio returns and net investor subscriptions (see table 15). Portfolio returns in this sub-sector averaged 5.1% over January-November despite running negative in the closing stretch (-1.1% from July to November). Net sales, meantime, came to 278.4 billion euros in the first eleven months.

… with pure hedge funds out in front, on asset growth of 31.8%…

For funds of hedge funds, a small advance in assets marked a tentative break with the downtrend of recent years. Despite four fund closures in the year, the sub-sector managed to boost its assets to 356 million euros in November 2014, a 1.5% improvement on fourth-quarter 2013. Unit-holder numbers dropped by 9.2% to a November total of 2,743, while portfolio returns reached a creditable 7.2%.

… and funds of hedge funds still behind, though with signs of a breakout from the recent-year downtrend.

16 Although the fund did not deregister until January 2015, it stopped filing financial statements with the CNMV in December 2013, so is not computed in the figures for the 2014 close.

Main hedge fund and fund of hedge fund variables

TABLE 15

	2012	2013	2014	2014 1Q	2014 2Q	2014 3Q	2014 4Q[1]
FUNDS OF HEDGE FUNDS							
Number	24	22	18	21	20	20	18
Unit-holders	3,338	3,022	2,743	2,994	2,972	2,737	2,743
Assets (million euros)	540	350.3	355.7	352.1	354	367.5	355.7
Return (%)	0.88	4.39	7.21	0.66	1.42	4.42	0.57
HEDGE FUNDS							
Number	36	29	37	28	30	33	37
Unit-holders	2,427	2,415	2,605	2,513	2,631	2,627	2,605
Assets (million euros)	918.6	1,036.7	1,366	1,172.4	1,261.5	1,353	1,366
Return (%)	7.17	16.48	5.06	4.21	1.97	-1.0	-0.15

Source: CNMV.

1 Data to November 2014, except number of schemes, to December of the same year.

Foreign UCITS marketed in Spain

Foreign UCITS make further headway, with assets under management up by 44% to almost 79 billion euros…

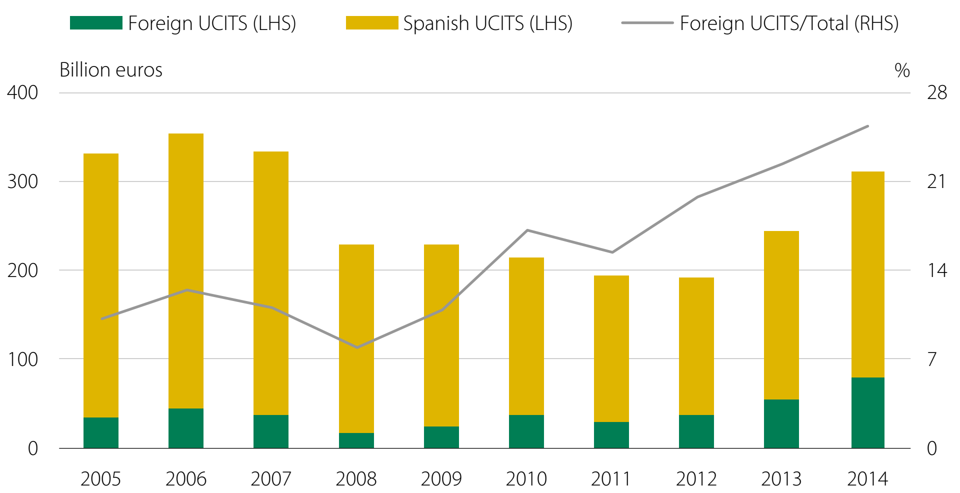
This segment prolonged the strong run initiated in mid-2012, which lifted assets under management by 163% between 2011 and 2014. This last year, specifically, saw investment surge by 44.2% to just short of 79 billion euros. As we can see from figure 20, foreign UCITS now account for 25.3% of assets under management in Spain, after working up steadily from the 8% share of 2008, at the start of the crisis.

… and both companies and funds advancing across all main variables.

Both funds and companies participated in the expansion. Companies, which dominate the segment, grew their assets 46.6% to 67.74 billion euros, while funds secured a 31% advance to 11.17 billion. Investor numbers rose by 23.4% to 1,317,674, while the number of schemes jumped from 780 to 805.

Assets of foreign UCITS marketed in Spain

FIGURE 20



Source: CNMV.

The collective investment industry is currently riding high on a reduced rate scenario that has set investors casting round for more profitable investment alternatives than low-earning bank deposits. Europe's monetary policy stance suggests interest rates will remain at lows for some time to come, so this factor should continue to favour the industry from a demand standpoint. From a supply side perspective, investment fund management and distribution remains highly profitable for Spanish banks, who will likely be keen therefore to continue their involvement in the sale of these investment products[17]. As to the mid-tem business the industry can capture, this will depend on the strength of private sector savings, eroded during the crisis years by stagnant disposable income. But in the short term, at least, economic and employment recovery are factors playing in its favour.

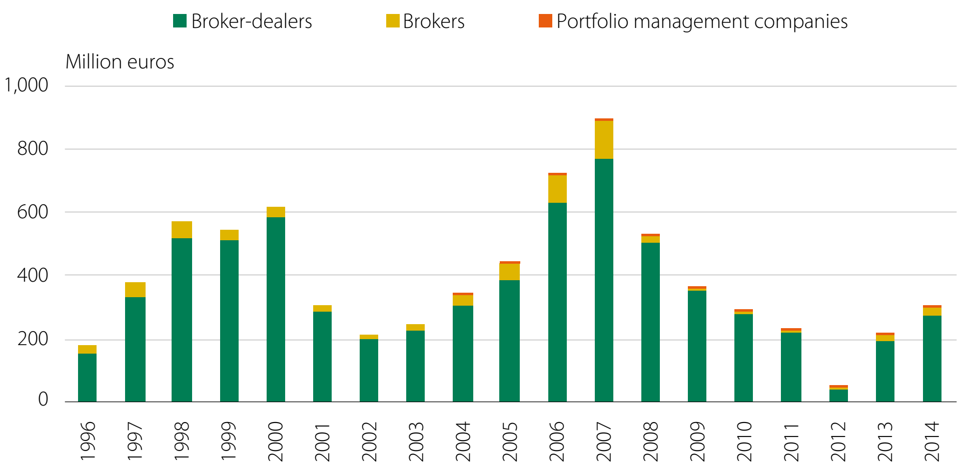
Reduced interest rates and improvement in private-sector income give solid grounds for optimism about the future of the fund industry.

4.2 Investment firms

The more supportive tone of financial markets boosted investment firm earnings over 2014. The sector as a whole posted profits before taxes of 306 million euros, 41% more than in 2013 (see figure 21). Moreover, all groups of intermediaries –broker-dealers, brokers and portfolio management companies– shared in the advance. At the annual close, 83[18] firms were listed on the CNMV registers, four fewer than in 2013. Of this total, six were passported to operate in other EU countries via a branch and 41 under the free provision of services (one more than at end-2013).

Investment firms registered with the CNMV secure a strong advance in earnings thanks to the year's more buoyant markets.

Investment firm pre-tax profits[1] FIGURE 21



Source: CNMV.

1 Except investment advisory firms.

Broker-dealers obtained combined pre-tax profits of 275.6 million euros, 42% more than in 2013 and representing 90% of sector-wide earnings (see table 16). Driving the advance was higher fee income, improvement at other gross income lines and a

Broker-dealer profits rise 42% on higher fee income and operating cost savings.

17 See Ramiro Losada's article "The market power of mutual fund managers in the Spanish retail market" in the CNMV's Quarterly Bulletin for the fourth quarter of 2014.

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

reduction in operating expenses. Fee income, specifically, rose by 11.9% to 633.3 million euros. The biggest-earning items under this heading were placement and underwriting fees, at over 21.4 million euros, and UCITS marketing fees, which came in at just under 63 million. Fees on securities administration and custody and portfolio management topped 21 million in both cases. Note that order processing and execution, firms' largest source of fee income, brought in 1.5% less despite increased volumes of intermediated trading due to lower average brokerage fees.

Aggregate income statement (Dec 14) TABLE 16

	Broker-dealers			Brokers			Portfolio managers		
Thousand euros	**Dec 13**	**Dec 14**	**% var.**	**Dec 13**	**Dec 14**	**% var.**	**Dec 13**	**Dec 14**	**% var.**
1. Net interest income	67,333	74,177	10.2	1,799	1,119	-37.8	667	574	-13.9
2. Net fee income	387,216	445,317	15.0	110,422	120,634	9.2	9,362	11,104	18.6
2.1. Fee income	565,787	633,263	11.9	130,738	147,137	12.5	18,603	15,411	-17.2
2.1.1. Order processing and execution	347,522	342,462	-1.5	40,196	41,745	3.9	–	–	–
2.1.2. Placement and underwriting	4,824	21,414	343.9	4,715	8,129	72.4	–	–	–
2.1.3. Securities administration and custody	17,987	22,347	24.2	505	567	12.3	–	–	–
2.1.4. Portfolio management	15,581	21,046	35.1	16,267	15,062	-7.4	17,028	13,572	-20.3
2.1.5. Investment advising	10,500	10,638	1.3	5,707	7,260	27.2	1,575	849	-46.1
2.1.6. Search and placement	8,659	4,367	-49.6	55	0	-100.0	–	–	–
2.1.7. Margin trading	22	0	-100.0	11	0	-100.0	–	–	–
2.1.8. UCITS marketing	51,766	62,948	21.6	35,823	46,565	30.0	0	0	–
2.1.9. Others	108,926	148,041	35.9	27,459	27,809	1.3	0	990	–
2.2. Fee expense	178,571	187,946	5.3	20,316	26,503	30.5	9,241	4,307	-53.4
3. Results of financial investments	256,110	222,077	-13.3	5	775	15,400	9	-6	–
4. Net exchange differences	-149,033	-110,808	–	-237	498	–	-24	132	–
5. Other operating income and expense	10,566	14,383	36.1	-1,396	604	–	-8	-369	-4,512.5
GROSS INCOME	**572,192**	**645,146**	**12.7**	**110,593**	**123,626**	**11.8**	**10,006**	**11,435**	**14.3**
6. Operating expenses	384,638	372,003	-3.3	89,726	96,616	7.7	6,388	5,530	-13.4
7. Depreciation and other charges	-609	6,197	–	2,420	2,630	8.7	64	45	-29.7
8. Impairment losses	3,123	1,437	-54.0	25	13	-48.0	0	0	–
NET OPERATING INCOME	**185,040**	**265,509**	**43.5**	**18,422**	**24,366**	**32.3**	**3,554**	**5,860**	**64.9**
9. Other profit and loss	9,529	10,120	6.2	854	466	-45.4	9	0	-100.0
PROFITS BEFORE TAXES	**194,569**	**275,629**	**41.7**	**19,276**	**24,832**	**28.8**	**3,563**	**5,860**	**64.5**
10. Corporate income tax	53,764	83,162	54.7	4,955	4,910	-0.9	1,091	1,725	58.1
PROFITS FROM ONGOING ACTIVITIES	**140,805**	**192,467**	**36.7**	**14,321**	**19,922**	**39.1**	**2,472**	**4,135**	**67.3**
11. Profits from discontinued activities	0	0	–	0	0	–	0	0	–
NET PROFIT FOR THE YEAR	**140,805**	**192,467**	**36.7**	**14,321**	**19,922**	**39.1**	**2,472**	**4,135**	**67.3**

Source: CNMV.

Gross income growth and lower expenses boost net operating income by 43.5% to 265 million.

The aggregate gross income of the broker-dealer segment rose by 12.7% in the year to 645 million euros. Besides fee income, the improvement drew on higher net interest income and lower exchange losses. Conversely, gains on financial investments reduced by 13.3% to 222 million euros. Gross income growth combined with a 3.3% decrease in operating expenses to deliver a 43.5% increase in net operating income, which closed the year at 265.6 million euros.

For brokers too, the more supportive environment impacted positively on 2014 income statements, whose highlight was a 28.8% jump in pre-tax profits to 24.8 million euros. The advance was led by fee income, up by 12.5% to 147.1 million euros (see table 16). The largest increases under this head corresponded to UCITS marketing, placement and underwriting and investment advisory fees, which brought in 10.7, 3.4 and 1.6 million more respectively, although the biggest-earning fee items in absolute terms were UCITS marketing (32% of the total) and order processing and execution (28% of the total). Gross income, finally, climbed by 11.8% to 123.6 million euros, while operating expenses, at 96.6 million, were 7.7% higher than in 2013.

Brokers earn almost 29% more in 2014 as fee income picks up strongly, with UCITS marketing, and placement and underwriting services leading the advance.

Portfolio management companies secured full-year profits of 5.86 million, 64.5% more than in 2013 (see table 16). In contrast to other financial intermediaries, the improvement was sourced from a sizeable reduction in fees paid (down 53.4%) along with operating cost savings of 13.4%. Fee income, however, contracted across all main lines, by 20.3% in portfolio management and 46.1% in investment advisory services. Since assets under management in this sub-sector expanded in 2014, income slippage is presumably down to reductions in the fees applied.

Portfolio manager profits also rise but the growth source is lower fees paid.

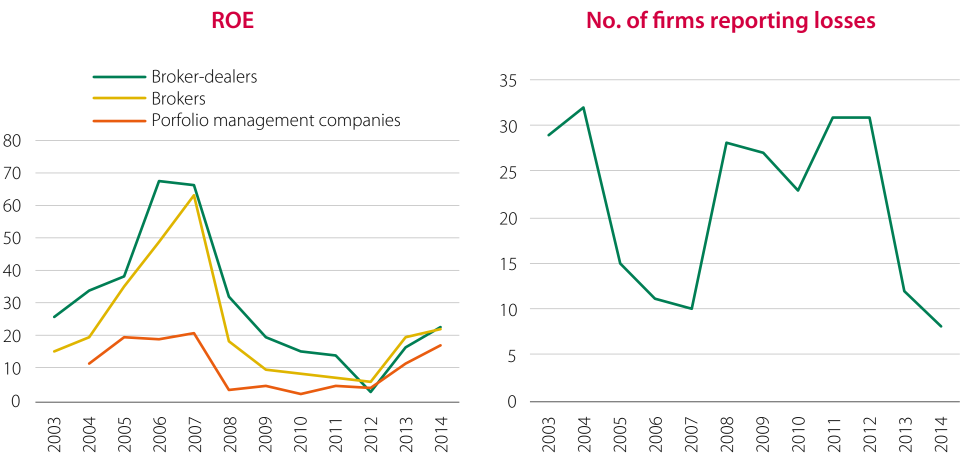
Firms' strong earnings performance ensured that sector return on equity (ROE) held to the improvement path initiated in 2013 (see left-hand panel of figure 22). The broker-dealers segment managed the largest advance, from 16.4% in 2013 to 23% at the 2014 close, while brokers' ROE rose from 19.3% to 22.2%. The ratio of portfolio management companies, finally, increased by 5.5 points to 17%.

Greater earnings strength translates as a significant advance in investment firm ROE…

The number of firms reporting losses was reduced compared to recent years, with only eight in this position at end-2014, compared to twelve in 2013 and 31 in 2012 (see right-hand panel of figure 22). For the second year running, no portfolio management companies posted losses, while the number of loss-making broker-dealers and brokers was down by two in both cases to three and five respectively. The result was further progress in reducing sector-wide losses, which closed the year at 6.7 million euros (8.1 million in 2013).

… and a decrease in the number of loss-making firms and the scale of their losses.

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



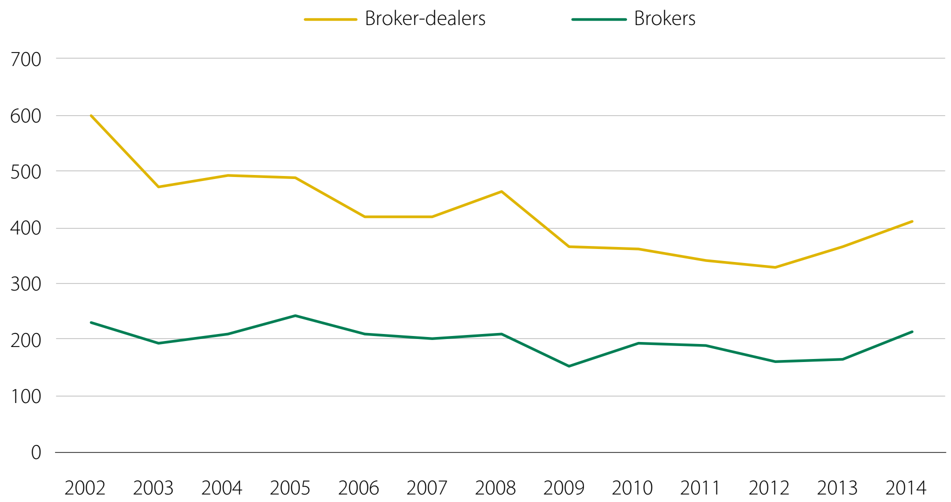
Source: CNMV.

Investment firm solvency holds up well in a year that brought several regulatory novelties in this area.

Investment firms kept up sound solvency ratios over 2014. These standards were affected in the year by a series of regulatory changes, starting with the entry to force of Regulation (EU) 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, which changes the method for calculating investment firm capital requirements. There were changes too in firms' solvency reporting obligations pursuant to CNMV Circular 2/2014 of 23 June on the exercise of various regulatory options regarding the solvency of investment firms and their consolidable groups, which exempts some firms from the requirement to report on their compliance with solvency standards. According to this new regulatory framework, the 2014 ratios of Spanish investment firms[19], defined as the surplus of eligible to required capital, stood at 4.1 for broker-dealers and 2.1 for brokers (see figure 23).

Investment firm capital adequacy FIGURE 23

(Surplus of eligible capital to the minimum requirement, %)



Source: CNMV.

IAF business expands further in 2014, with assets under advice up by 21.3% to 21.4 billion euros.

Investment advisory firms (IAFs) continued doing lively business. Assets under advice climbed by 21.3% to 21.4 billion euros[20] and fee income by 43.6% to 47.8 million (see table 17), with the advance taking in all customer segments. Specifically the advised assets of retail and professional clients rose by 14.6% and 22.3% respectively versus full-year 2013, and those of eligible counterparties[21] (the "others" item) by 24.8%. Retail clients continued to account for the majority of industry contracts (93%, the same proportion as in 2013). Finally, the number of IAFs rose by 17 to 143 at the 2014 close, eleven of them passported to provide investment advice in other EU countries under the free provision of services.

19 The information stated refers to 95% of the broker-dealers and 93% of the brokers required to report solvency ratios as at December 2014.

20 This figure does not include four IAFs (three in the process of deregistration or liquidation) for which no data were available at the closing date for this report, and corresponds accordingly to 97% of firms.

21 Eligible counterparty is a client category defined under the MiFID as requiring a lower degree of protection. It typically includes banks, other financial institutions and national governments.

The prospects for the investment firm industry are looking far more solid thanks to the gathering strength of main business lines, primarily financial market intermediation, UCITS marketing and financial advisory services. However, as we have warned in previous reports, the sector's growth outlook is increasingly conditioned by competitive pressure from national and foreign banks. In 2014, to look no further, credit institutions took in 80% of investment service fees[22], and maintained their dominant grip on business lines like UCITS marketing, securities administration and custody and issue underwriting. Investment firms, meantime, remain more competitive in securities transactions (as witness the recent cuts in brokerage fees), where they took in 53% of the associated revenues in 2014.

More dynamic markets augur a better run for investment firms despite competition from the banks.

Main investment advisory firm variables

TABLE 17

Thousand euros	2012	2013	2014	2013 2H	2014 1H	2014 2H[1]	% var. in year
NUMBER OF FIRMS	**101**	**126**	**143**	**126**	**134**	**143**	**13.5**
ASSETS UNDER ADVICE[2]	**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	**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[3]	4,239	6,890	11,956	6,890	7,787	11,969	73.7

1 Provisional data (except number of entities) based on data from 97% of IAFs registered with the CNMV.

2 Period-end data at market value.

3 Cumulative data for the period.

22 From January to September.

CNMV consultation on a system for financial instrument classification and identification of especially complex products

EXHIBIT 3

The financial instruments offered to retail clients have grown considerably more sophisticated in the prevailing climate of reduced interest rates. And Spain has recently witnessed cases of misselling that have brought to light customers' poor understanding of the nature and risks of certain products, and revealed a need to strengthen disclosure requirements when they are being marketed to this kind of investor.

In September 2014, following the recommendations of the Subcommittee on Transparency in Information on Credit Institution Financial and Mortgage Products formed under the Congress of Deputies Economics Committee, the CNMV launched a public consultation on an initiative whose contents are summarised below:

i) Establishment of a simple, intuitive system so retail clients understand the risk and complexity of the financial products they may wish to invest in. The proposal is to use a synthetic indicator with a five-level risk scale in which each level is associated with a colour, to be accompanied by warnings about the product in question's complexity and liquidity. The methodology would be straightforward, based on checklist points like the existence of a commitment to return capital on maturity, remaining term to maturity, and the issuer's credit rating. This indicator would be included in the pre-sale material banks deliver to clients, together with more detailed information on the characteristics and inherent risks of financial instruments. The idea, it should be stressed, is not to supplant entities' internal systems of suitability and appropriateness testing, which pursue different objectives.

ii) The proposed classification system would be applied to all financial instruments covered by the Securities Market Law, except the units and shares of collective investment schemes, which already have a key information document in standard use.

iii) Certain financial instruments whose complexity advises against their use by non-professional investors would carry a warning saying they are not suitable for retail investors, which clients must state in writing that they have read and understood. Instruments subject to this requirement would be: convertible bonds qualifying as additional tier 1 regulatory capital; structured financial products not guaranteeing the return of at least 90% of the original investment and which involve complex structures potentially masking their real degree of risk; and OTC derivatives held for purposes other than hedging.

Another concern about the growing sophistication of the products available to retail investors is the difficulty of estimating their fair value at the point of sale and during their subsequent life. Prior to last September's consultation, the CNMV had canvassed sector opinion on what it saw as two issues of particular relevance. On the one hand, whether the seller should have to provide its fair value estimate of the financial instrument, especially when the costs to the investor are insufficiently transparent (the case, for instance, with contingent convertible notes, structured products or OTC derivatives). By the same token, when there is a significant difference between the cash amount of the planned transaction and the instrument's fair value estimate, whether the seller, as the CNMV advocates, should issue an explicit warning to this effect. On the other hand, in the case of complex instruments like structured products or OTC derivatives where the non-professional investor may have difficulty calculating possible future returns, consideration should go to providing clients beforehand with quantified information showing different return estimates for different scenarios, with probabilities assigned to each.

After taking in and analysing the responses of investment service providers, their associations and consumer organisations, the CNMV prepared a draft circular which it sent out for public consultation in January 2015.

4.3 UCITS management companies

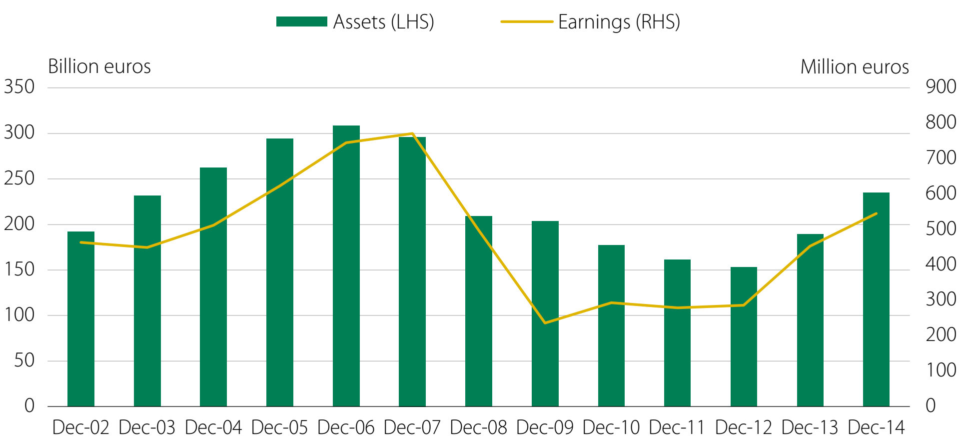
UCITS managers take in 20% more in pre-tax profits and grow assets under management by 24%.

UCITS management companies had another good year, with reduced interest rates continuing to favour mutual fund investment to the detriment of other instruments like bank time deposits. The result was a 23.8% jump in assets under management to 234.6 billion euros, and pre-tax profits 20.4% higher at 545 million euros (see figure 24) –the best figures since the start of the crisis albeit without recouping past heights. The sector again stood out for its high concentration, with the three largest companies commanding a combined market share of 36% of assets under management.

Management fees rise by 25.7% to over two billion euros, while the average charge remains unchanged at 0.85% of assets.

Management fees, the sectors biggest-earning item, brought in two billion euros, 25.7% more than in 2013. The average management fee, at 0.85% of assets, held at the levels of the previous year (0.84%). The marketing fees paid to other entities used up 61.8% of management fee income, on a par with 2013 but improving slightly on pre-crisis levels closer to 70%. The number of loss-making companies rose from eleven to fourteen at the 2014 close, with combined losses summing 2.89 million euros.

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



Source: CNMV.

Sector reorganisation has apparently reached an end.

A total of 96 UCITS management companies figured in the CNMV registers at end-2014, the same number as in 2013 following two new entries and two deregistrations. This points to a renewed stability after a wave of transactions prompted by the bank sector restructuring of recent years.

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

Billion euros

	Assets under management	UCITS management fee income[1]	Average UCITS management fee (%)	Fee ratio (%)[1]
2007	295,922	3,194	1.08	70.50
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

Source: CNMV.

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

4.4 Other intermediaries: Venture capital

New fund entries lift the number of venture capital entities from 334 to 344.

The number of venture capital entities (VCEs) moved up from 334 to 344 in the course of 2014. The increase owed exclusively to venture capital funds (VCFs), whose numbers rose from 126 to 145, while the numbers of venture capital companies (VCCs) and VCE management companies dropped from 130 to 125 and 78 to 74 respectively (see table 19).

Movements in the VCE register in 2014 TABLE 19

	Situation at 31/12/2013	Entries	Retirals	Situation at 31/12/2014
Entities	**334**	**30**	**20**	**344**
Venture capital funds	126	21	2	145
Venture capital companies	130	6	11	125
Venture capital management companies	78	3	7	74

Source: CNMV.

According to ASCRI, 2014 was a boom year for the venture capital industry on both the investment and fundraising side…

Preliminary data for 2014 furnished by industry association Asociación Española de Entidades de Capital Riesgo (ASCRI) confirm the strength of the recovery initiated in second-half 2013. Investments in the year came to 3.02 billion, 28% more than in 2013, with international funds contributing 78% in a total of 55 transactions. Other developments were the increase in large transactions (of over 100 million euros) from five in 2013 to nine in 2014 and an 88.5% surge in new funds raised to 4.29 billion euros. This last advance had its origin in higher inflows from international funds and allocations under the Fond-ICO Global tender.

… and with divestments at an all-time high.

Expansion capital transactions tended to predominate (63.5% of the total), with a combined investment of around one billion euros, though early stage transactions also featured large. The most popular receiving sectors were consumer products (24%), hospitality and leisure (15%), communications (9%) and industrial products and services (9%). The big news however was the turnaround in divestments, which rose to a record-breaking 4.67 billion euros. This scale of increase reflects the more supportive market conditions prevailing after a number of years when investors were dissuaded from selling by falling valuations or the clean-up and improvement measures promoted by the industry in investee concerns.

A more supportive macroeconomic setting should boost industry prospects going forward.

The outlook for the venture capital sector remains solidly promising. With recovery gaining traction, everything suggests that fundraising will continue at a healthy pace supported by the return of international funds and Fond-ICO activity. Investment too is expected to accelerate across all target segments in both volume and transaction terms. Finally, the entry to force in November last of Law 22/2014 regulating venture capital and other entities provides a new framework for the sector, with new actors like the SME venture capital entity, intended to channel non-bank finance to companies at the early development stage (see exhibit 4).

New venture capital law and amendment of collective investment scheme legislation

EXHIBIT 4

Law 22/2014 regulating venture capital entities, other closed-ended collective investment schemes[1] and their management companies (hereafter VCL) came into force on 14 November last year. Its passage derogates Venture Capital Law 25/2005 and amends certain aspects of Law 35/2003 on collective investment schemes (hereafter, CISL). The VCL transposes Directive 2011/61/EU on alternative investment fund managers (AIFMD) with regard to closed-ended investment vehicles, while the CISL implements its provisions on open-ended schemes.

The goal of the AIFMD is to provide a regulatory and supervisory framework for alternative investment fund managers of significant size, i.e., those managing portfolios of AIFs whose assets under management exceed 500 million euros, in the case of unleveraged, closed-ended vehicles, or 100 million for all the rest. The conditions it imposes on these large management companies are fairly stringent as regards own fund requirements, asset valuation, delegation of tasks, and risk and liquidity management. Among its novelties, limits are placed on remuneration policies, in order to discourage risk-taking inconsistent with the risk profiles of the AIFs managed, and detailed liability provisions established for depositaries in the event of the loss of instruments in their care. It is also stipulated that one depositary should be appointed for each fund managed. Pursuant to the completion of the single market, the Directive offers to extend these managers a European passport to market their funds to professional investors, along the same lines as the UCITS passport which covers retail funds.

The VCL adopts this same definition in specifying two types of management companies, above and below the AIFMD thresholds. Those above must meet the requirements listed in the preceding paragraph, though all managers are subject to CNMV authorisation and the same own funds regime. The new law accordingly brings the management of closed-ended alternative investment funds within the scope of CNMV authorisation and supervision, in place of the voluntary regime for venture capital entities (VCEs) previously envisaged. Importantly, it also enlarges the range of sector vehicles (previously confined to VCEs), establishing what are known as closed-ended collective investment entities. This new category comprises any closed-ended vehicle, not having a commercial or industrial purpose, that raises capital from a number of investors with a view to investing it in accordance with a defined investment policy.

Besides the changes imposed by the AIFMD, the venture capital law establishes a new type of VCE, the SME venture capital entity, with the goal of channelling non-bank finance to businesses in early stages of development. It also opens the door to VCE marketing to retail investors, provided they invest a minimum of 100,000 euros and declare in writing that they are aware of the risks entailed.

Amendments to the CISL, meantime, are primarily to adapt its articles to the AIFMD. It should be said that the changes will weigh lightly, since existing regulations imposed similar requirements on the managers of open-ended collective investment schemes, regardless of their size. AIFMD-motivated changes are joined by others aimed at implementing provisions of the UCITS V Directive[2], which lays down remuneration policies and a depositary framework along similar lines to the AIFMD.

Note, in closing, that the transposition of UCITS V and the AIFMD will not be complete until the relevant provisions are written into collective investment scheme regulations.

1 Article 2 of the law defines closed-ended collective investment schemes as those whose divestment policy meets the following conditions: 1) the divestment will take place simultaneously with respect to all investors; and (ii) each investor will be remunerated on an individualised basis, in accordance with their rights under the regulations and by-laws applicable to each class of shares or units.

2 Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014, amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions.

II Reports and analysis

Annual corporate governance report of listed companies in 2013

Tania Astibia Rubio and Sergio Rodríguez Cuadrado (*)

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1 Introduction

At the start of 2015, the CNMV published the Annual Corporate Governance Report of Entities with Securities Admitted to Trading on Regulated Markets[1], which is based on the information published in the 2014 Annual Corporate Governance Reports (ACGRs) of said companies. This article is based on that CNMV report and presents the key features of corporate governance structures in 2013, focusing exclusively on listed companies[2].

Section 2 of this article focuses on the ownership structure with regard to participation in the general shareholders' meeting, while Section 3 addresses the composition, functioning of the board of directors and its committees. The subsequent sections study the risk management policies and control systems which companies described in their ACGRs. Section 6 analyses application of the "comply or explain" principle, as well as compliance with the recommendations of the Unified Code. The article finishes with the final conclusions.

In accordance with the "comply or explain" principle, the Capital Companies Act requires companies to state in the ACGRs their level of compliance with the recommendations of the Unified Code of Good Governance of listed companies, approved by the CNMV in 2006 and amended in 2013. It should be pointed out that on 18 February 2015, the CNMV Board approved a new code which will replace the aforementioned code and which will be applicable as from 2015. Consequently, the first reports on compliance with the new code will appear in the 2015 ACGRs, which will be submitted to the CNMV in 2016. The new text, which introduces important new aspects, is available on the CNMV's website.

2 Ownership structure and participation in general shareholders' meeting

One of the key aspects determining a company's corporate governance practices is its ownership structure, particularly relating to the composition of its board and board committees. This aspect is also very important because historical data show that the level of shareholder participation in general meetings is directly linked to the concentration of ownership.

1 Report published in January 2015. Available at www.cnmv.es

2 The information is obtained by analysing the 2013 ACGRs published by 142 listed companies in 2014, with the exception of the chapter relating to internal control and risk management systems relating to financial reporting, in which part of the information is obtained from a sample which includes fixed-income issuers.

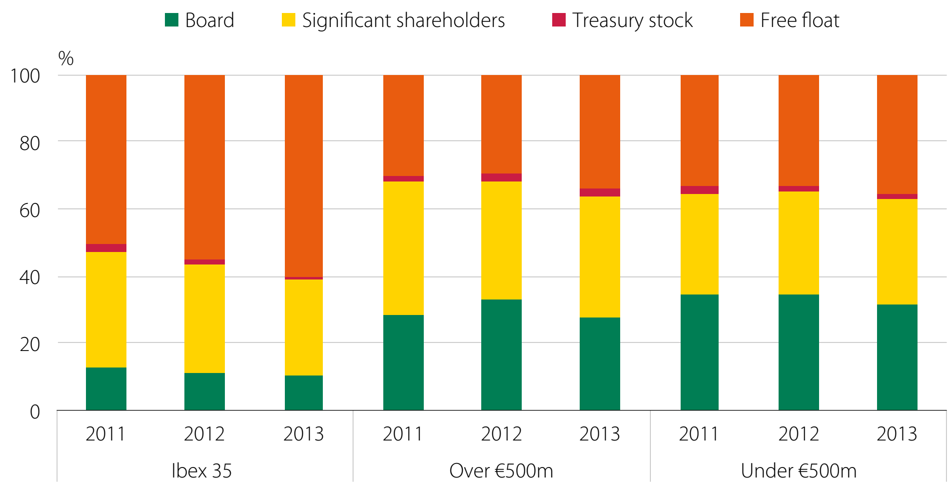
According to data provided in the ACGRs, the aggregate share capital of Spanish listed companies amounted to 52.59 billion euros at year-end 2013, an increase of 7.4% on 2012. This increase was the due to the fact that 34 companies (10 from the Ibex 35) increased their capital by a total of 9.81 billion euros, while eight companies reduced their capital by a total of 201 million euros.

At the same time, market capitalisation of listed companies rose by 37.5% on the end of the previous year, thus reversing the downward trend of recent years. Ibex 35 companies account for 79.5% of this increase.

On an aggregate level, the average distribution of capital by type of shareholder has not changed significantly with regard to 2012. The proportion held by non-director significant shareholders fell slightly to 31.5% (31.6% in 2012), the proportion held by the board of directors fell to 25.8% of share capital (28.8% in 2012), and treasury stock fell to 1.2% (1.5% in 2012). Therefore, the remaining 41.5%, which can be considered as approximately the free float, rose compare with the 38.1% recorded in 2012.

Figure 1 shows the capital distribution by stock market capitalisation groups[3].

Percentage distribution of capital by capitalisation group FIGURE 1



Source: Companies' ACGRs and CNMV.

Figure 1 shows an increase in free float in all capitalisation groups with a corresponding fall in the capital held by significant shareholders in Ibex 35 companies, and a fall in the capital held by the board in other companies.

In 40 companies (28.2% of the total), there was a natural or legal person that held most of the voting rights or that exercised or could exercise control, compared with 39 companies in 2012 (26.7%).

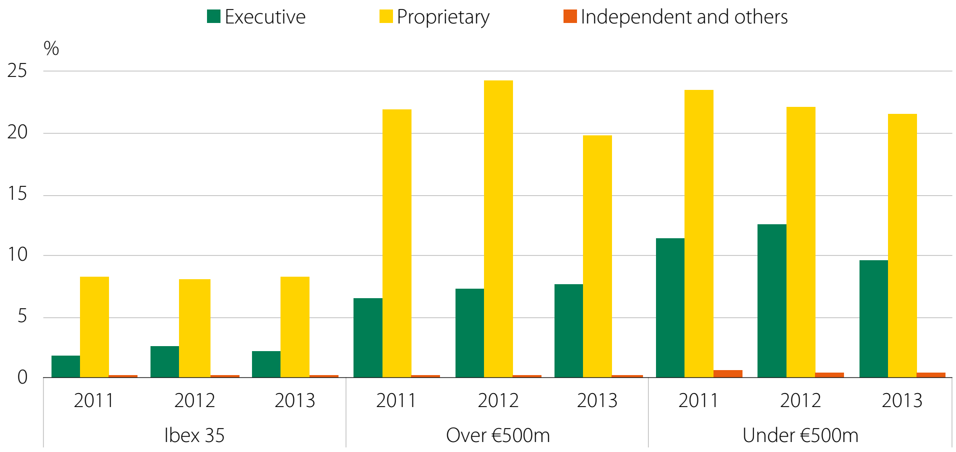
3 The figures represent the arithmetic mean of the capital distribution of listed companies, taking as the calculation base the corresponding percentages for each company of the different categories included in the figure. The percentage representing non-director significant shareholders has been obtained after deducting the share packages in the hands of members of the board of directors.

The sum of declared significant shareholdings, including the share packages in the hands of the board, exceeded 50% of the share capital in 96 companies (67.6% of the total), of which 14 formed part of the Ibex 35.

31.5% of the capital held by non-director significant shareholders was spread as follows: 5.5% corresponded to natural persons resident in Spain (4.8% in 2012), 18.7% corresponded to legal persons resident in Spain (20.4% in 2012), while the remaining 7.6% corresponded to non-resident investors (6.4% in 2012). There was a noteworthy increase in the proportion held by non-resident investors, with a corresponding fall in the proportion held by resident legal persons.

Figure 2 tracks, in percentage terms, the distribution of capital in the hands of the board according to the category of board members, grouping companies by stock market capitalisation.

Distribution of capital by director category FIGURE 2



Source: Companies' ACGRs and CNMV.

60.1% of executive directors held equity stakes in the capital of the companies in which they worked. Of this number, six declared holdings of over 50%, and a further 23 declared holdings of between 10% and 50%.

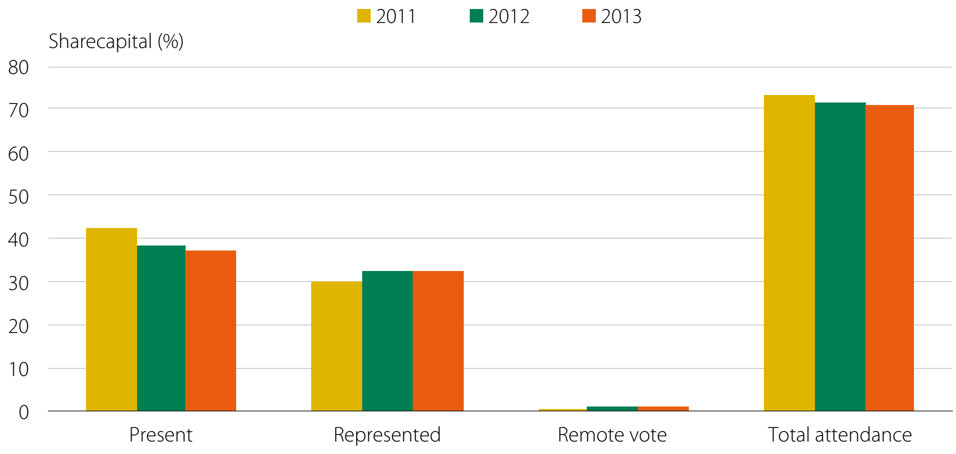
In the case of proprietary directors, 47.2% held shares in listed companies (57.8% in 2012), while the percentage for independent directors fell to 31.4% (53.9% in 2012).

Shareholder participation in general meetings

One area of corporate governance where international organizations such as the OECD and the European Commission have been calling most strongly for improvement since the start of the crisis is the involvement of shareholders in general, and institutional investors in particular, in the governance of listed companies.

Figure 3 shows the average participation of the shareholders of listed companies in the general meetings held between 2011 and 2013, differentiating between the types of attendance.

Participation in general meetings FIGURE 3



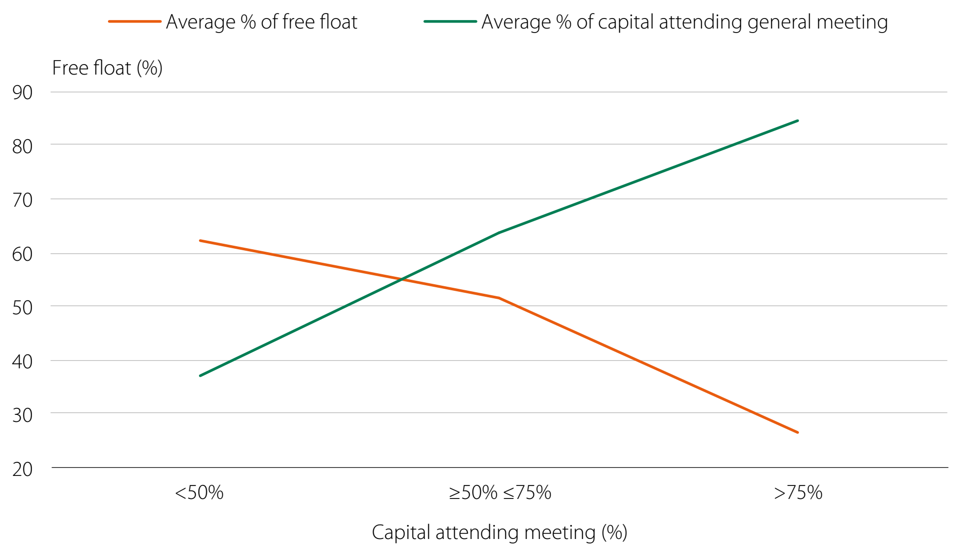
Source: Companies' ACGRs and CNMV.

The average percentage of share capital taking part in general shareholders' meetings in 2013 was 70.6%, a similar proportion to the previous year, with a small fall of 0.6 percentage points. This slight fall, which moderates the downward trend of recent years, was the result of a fall in physical attendance of 0.8 percentage points, which was lower than the fall recorded in 2012. Attendance through representation and remote voting remained stable on the previous year, increasing by 0.1 and 0.2 percentage points, respectively.

In four companies, half the number recorded in 2012, the physical attendance of shareholders in the meeting exceeded 90% of the capital. None of these companies belong to the Ibex 35, and in no case did the percentage of physical presence reach 100%.

Figure 4 shows the average figures in 2013 for attendance and free float for each one of the brackets analysed as regards attendance at general meetings.

General meeting attendance vs. free float FIGURE 4



Source: Companies' ACGRs and CNMV.

Over recent years, companies have adopted measures to encourage minority shareholders to participate in general meetings. However, as shown in the above figure, the existence of a greater percentage of minority shareholders leads to lower participation in the meetings, which increases as the average free float falls.

With the amendment to the Capital Companies Act approved in December 2014[4], the minimum percentage of share capital required for exercising the rights of minority interests in listed companies is reduced to 3% and the maximum number of shares which the articles of association may require for attendance at the general meeting is set at 1,000.

3 Board of Directors

3.1 Structure of the Board of Directors

The average size of the board fell slightly in 2013 to 9.9 members, compared with 10.2 in 2012. Among Ibex companies, this average stood at 13.7 directors.

In 83.1% of companies, board size ranged between a minimum of five and a maximum of 15 as recommended in the Unified Code. As in previous years, most of the boards exceeding 15 members belonged to Ibex 35 companies, while the boards with fewer than five members were mainly among companies with lower capitalisation.

Table 1 tracks the percentage of each type of director on listed company boards according to their level of capitalisation:

Percentage share of each type of director TABLE 1

	Executive			Proprietary			Independent			Other external		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Ibex 35	15.4	15.9	16.0	37.2	36.1	32.3	40.2	42.0	46.5	7.1	5.9	5.2
Over €500m	17.6	16.7	19.5	52.0	49.8	48.9	25.8	27.6	26.1	4.7	5.9	5.5
Less than €500m	17.4	17.6	18.0	46.8	46.6	46.4	29.3	30.7	29.8	6.6	5.1	5.8
Total	**16.8**	**16.9**	**17.6**	**44.6**	**43.7**	**42.1**	**32.2**	**33.9**	**34.8**	**6.4**	**5.5**	**5.5**

Source: Companies' ACGRs and CNMV.

As in the previous year, the proportion of independent directors in 2013, on an aggregate level, was above the minimum of one third recommended by the Unified Code (34.8%). The following section discusses the presence and evolution of this type of director.

4 Law 31/2014, of 3 December, amending the Capital Companies Act to enhance corporate governance.

3.2 Independent directors

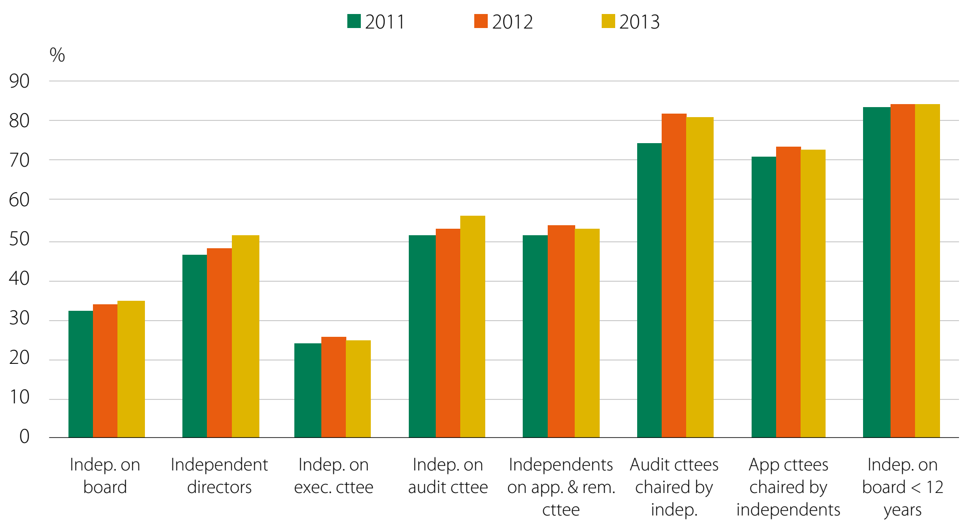
Independent directors were in the majority on the boards of 17.6% of listed companies in 2013 (15.1% in 2012). The number of companies reporting no independent directors on their boards remained fairly stable, only increasing slightly from 4.8% in 2012 to 4.9% 2013, with a proportion of these companies undergoing insolvency or liquidation processes.

The board chair and vice-chair positions were only occupied by independent directors in 5.6% (5.5% in 2012) and 23.1% (21.7% in 2012) of the companies, respectively.

As in previous years, independent directors are better represented on the audit committee (55.8%) and the appointments and remuneration committee (53.1%) than on the board (34.8%). Executive committees again featured the lowest percentage of independent directors (24.4%).

Figure 5 tracks the progress of the main variables indicating the presence of independent directors on the governing bodies of listed companies.

Presence of independent directors on governing bodies FIGURE 5



Source: Companies' ACGRs and CNMV.

In 2013, the percentage of companies with an independent director chairing the audit committee and the appointments committee fell slightly: 81.3% and 72.6% in 2013, compared with 81.9% and 73.4% in 2012, respectively.

3.3 Gender diversity

The Unified Code considers that gender diversity is an efficiency objective that listed companies should work towards. It recommends that companies with few or no women on their boards should make a specific effort to find possible candidates whenever they need to cover a vacancy.

The percentage of women board members has increased by 1.6 percentage points since 2011, and stood at 12% in 2013 (10.4% in 2012 and 2011). By type of director, there was a noteworthy 2.7 percentage point increase in independent directors, who accounted for 17.6% in 2013. The proportion of proprietary directors also increased in 2013, up to 11%, while the percentage of other external directors fell by 0.9 percentage points to 6.4%, and the percentage of executive directors remained the same as in 2012 (5.2%).

Table 2 shows the changes over the period 2011-2012 in the number of board positions occupied by women and the number of companies which had women on their boards:

Presence of women on boards TABLE 2

	No. of women directors			% of total			No. of companies with women			% of total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Ibex 35	60	66	75	11.9	13.5	15.6	31	31	32	88.6	88.6	91.4
Over €500m	30	23	23	10.8	9.6	8.5	17	14	14	68.0	66.7	58.3
Under €500m	72	66	71	9.3	8.7	10.8	51	46	48	57.3	51.1	57.8
Total	**162**	**155**	**169**	**10.4**	**10.4**	**12.0**	**99**	**91**	**94**	**66.4**	**62.3**	**66.2**

Source: Companies' ACGRs and CNMV.

With regard to the positions held by women directors on the governing bodies of listed companies, we can highlight the following:

– The percentage of women chairing the board stood at 4.1% (3.2% in 2012).

– Of the 169 women directors on the boards, 16% sit on the executive committee (15.5% in 2012), 36.1% sit on the audit committee (same percentage as in 2012), and 32% on the appointments and remuneration committee (32.9% in 2012).

– The number of women directors who are not members of any committee rose in 2013 (39.1% compared with 38.7% in 2012).

3.4 Functioning of the board

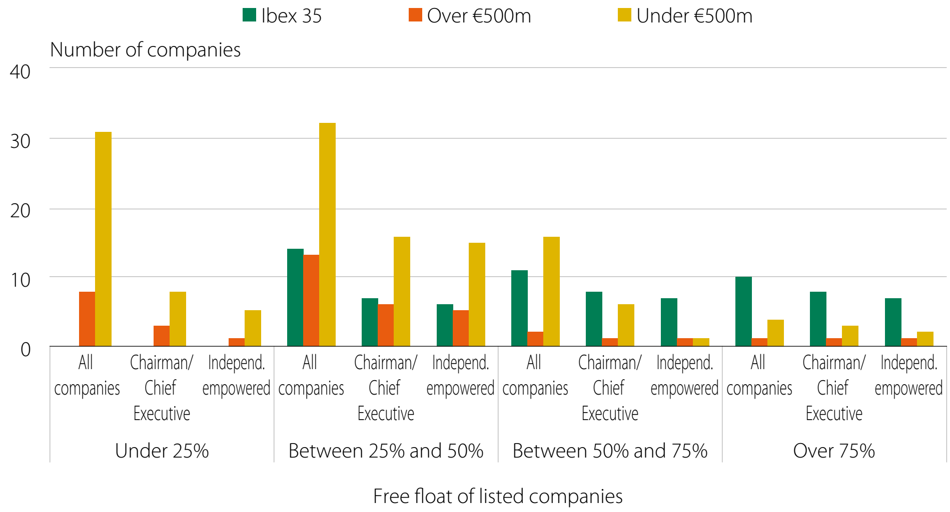
The Unified Code issues no opinion on separating the offices of chair of the board and chief executive officer, and recognises that both options offer advantages and disadvantages. However, it recommends that when the chairperson is also the chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda to coordinate and give voice to the concerns of external directors and to lead evaluation of the chairperson (Recommendation 16 of the Unified Code). Under Law 31/2014, this recommendation has become mandatory.

Over the last three years there has been a downward trend in the number of companies in which the chairperson is also the chief executive, with their relative weighting has fallen by 5.1 percentage points.

In addition, over the same period, companies which have established a casting vote in the event of tied votes have increased by 1.8 percentage points, to 60.6%.

Figure 6 shows the number of companies combining the offices of chairperson and chief executive officer and those where an independent director is empowered as specified in Recommendation 16. The number is broken down according to free float.

Executive chairperson and independent director empowered as per Recommendation 16 FIGURE 6

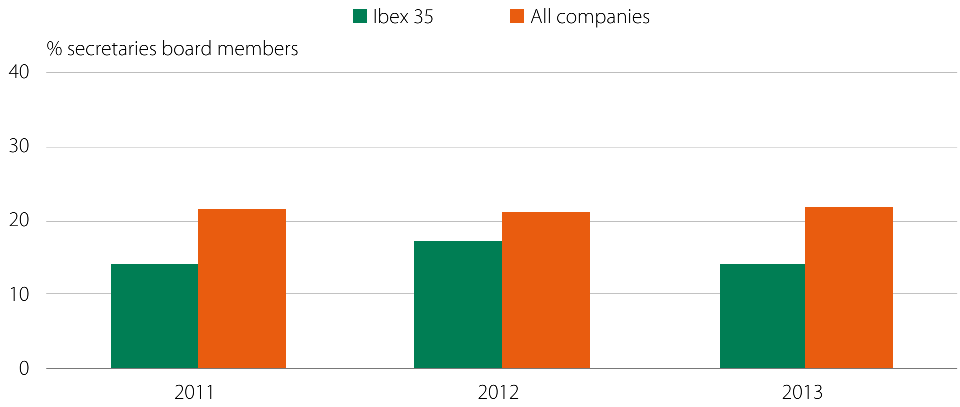


Source: Companies' ACGRs and CNMV.

The Unified Code issues no opinion as to whether the secretary should also be a board member, but recommends safeguarding his or her independence, impartiality and professionalism in the discharge of this function, and that his or her appointment and removal should be subject to a report from the appointments committee and be approved by a full meeting of the board.

Figure 7 shows the percentage of companies whose secretary is also a board member:

Secretary/Board member FIGURE 7



Source: Companies' ACGRs and CNMV.

Figure 7 shows that the percentage of secretaries who are board members remained stable, standing at 21.8% of companies (21.2% in 2012), of which 41.9% are executive directors, 29% proprietary directors, 22.6% independent directors and 6.5% other external directors.

The board regulation in 85.9% (85.6% in 2012) of listed companies contain a procedure whereby the appointment and removal of the secretary must follow a report by the appointments committee and must be approved by a full board meeting.

The Capital Companies Act establishes that in public limited companies the board of directors should approve a regulation on internal rules and functioning of the board, which will contain the specific measures aimed at guaranteeing the best administration of the company. This regulation must be submitted to the CNMV.

In 2013, a total of 34 companies (18 from the Ibex 35) amended their board regulation. Most of the amendments corresponded to adaptations resulting from the latest regulatory changes in the Capital Companies Act, the Audit Act and the Securities Market Act.

3.5 Board committees

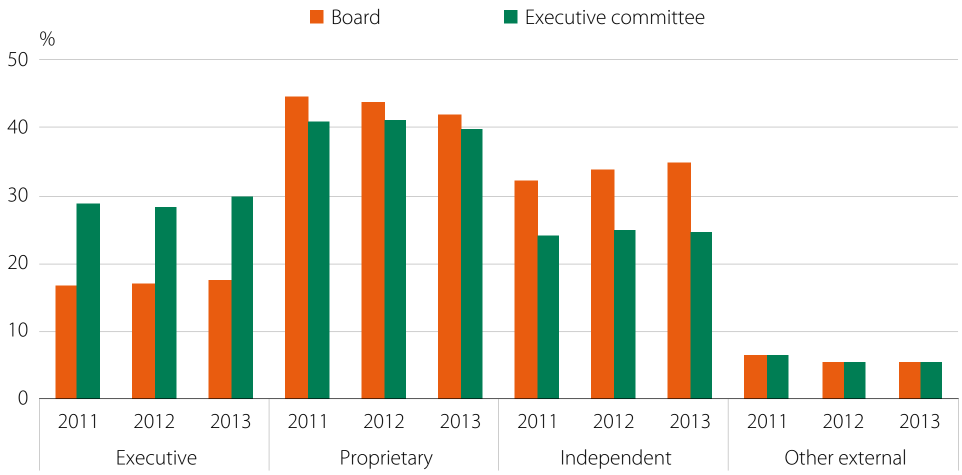
The breadth of powers entrusted to the board of directors by law and by articles of association supports the existence of board committees with executive functions. They are common in companies with a high market capitalisation. In 2013, a total of 57 companies (40.1% total) had established a board committee with executive functions: 71.4% of Ibex 35 companies, 33.3% of companies with a stock market capitalisation of over 500 million euros and 28.9% of companies with a stock market capitalisation of less than 500 million euros.

Corporate governance guidelines recommend that the composition of the executive committee should reflect that of the board so as to prevent its functions being exercised with a different perspective, although Figure 8 shows that in the last three years the proportion of executive directors sitting on the executive committee is higher than on the board.

The Unified Code recommends that the appointments and remuneration committee should be formed entirely of external directors, independent in their majority, and chaired by an independent. A total of 61 companies (46.9%) of the 128 companies who have set up this committee comply with these recommendations. A total of 21 companies (nine from the Ibex 35) have appointments and remuneration committees made up entirely of independent directors.

The Unified Code also recommends that the audit committee be formed entirely by external directors and chaired by an independent director (it makes no reference to a majority of independent directors). The audit committees of 83% of listed companies are made up exclusively of external directors, and 81.2% were chaired by independent directors.

Director representation on the executive committee and board by director category FIGURE 8



Source: Companies' ACGRs and CNMV.

4 Financial reporting and risk management

The Unified Code highlights the importance of the role played by the audit committee in overseeing the reliability and integrity of financial reporting and the correct functioning of internal auditing, as well as the system for detecting, evaluating and preventing material impacts resulting from the materialisation of risks outside the company's control.

In this regard, over recent years the OECD has singled out risk management as among the corporate governance elements whose weaknesses played an important role in the onset of the financial crisis.

Along similar lines, given the importance of risk management, the European Commission launched an Action Plan which in 2013 led to the preparation of a proposed amendment to the Accounting Directive in order to strengthen disclosure requirements with regard to risk management. The result was Directive 2014/95/EU of 22 October, amending Directive 2013/34/EU, which requires undertakings with over 500 employees to break down in their management report information relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. They should also report on the achievements made and the principal risks related to the company's operations and provide a description of the adverse impacts which their activity may generate in the aforementioned areas and how they manage those risks.

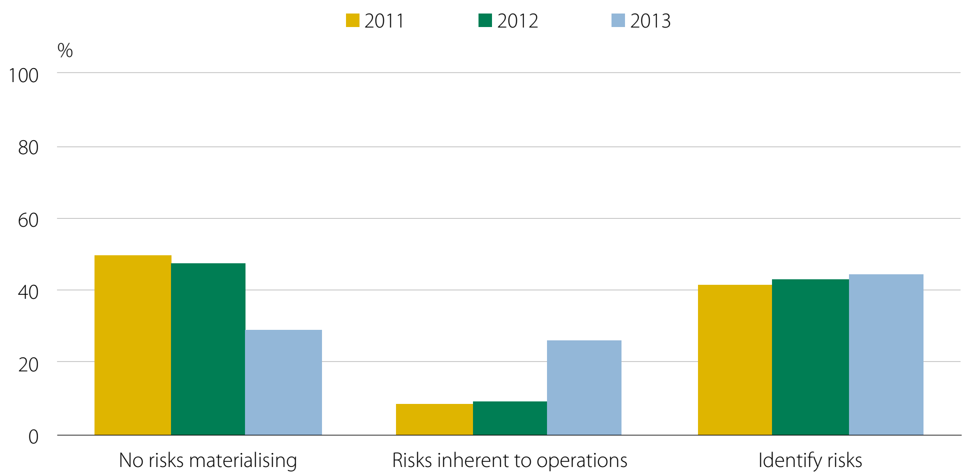
The Unified Code urges boards to submit the annual accounts to the general meeting without reservations or qualifications in the external auditor's report. In the exceptional circumstances that such reservations or qualifications exist, both the chairman of the audit committee and the auditor should give a clear account to shareholders of their scope and content. The percentage of audit reports issued with a qualified opinion (excepting changes affecting inter-year comparability) of all the issuers of listed securities fell slightly from 3% in 2012 to 2.5% in 2013.

Listed companies should describe their risk management policy and control systems in their ACGRs, identifying the potential risks they face, the risks materialising in the year and the body in charge of establishing and supervising control mechanisms.

As in previous years, in 2013 listed companies coincide in stressing the risks entailed by the current financial situation and the performance of the economy in general and consumption in particular. The most highlighted risks were credit risk and the impact of public investment and reduced access to financing, although companies also pointed to the progress made in exports.

Figure 9 groups companies according to the account given in their ACGRs of risks materialising in the period 2011-2013.

Companies categorised according to materialised risks FIGURE 9



Source: Companies' ACGRs and CNMV.

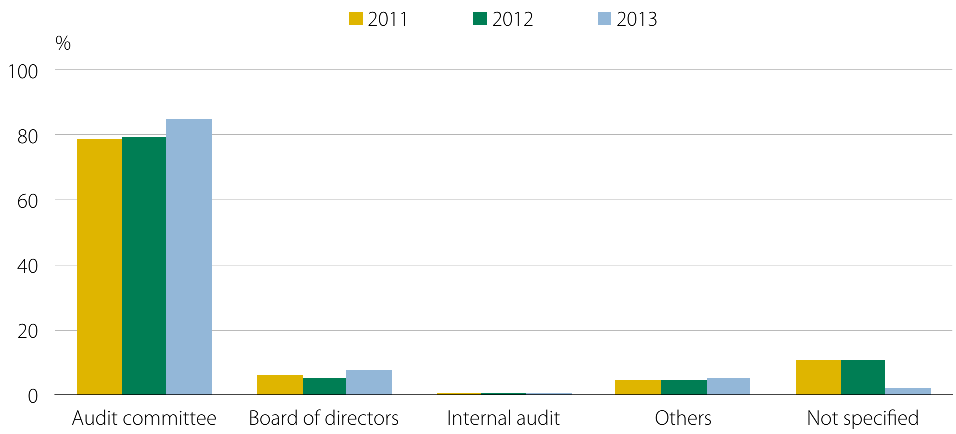
The percentage of companies reporting no risk materialising in 2013 fell sharply to 30% (42 companies compared with 69 in 2012). Of the remainder, it was noteworthy that the percentage of companies reporting in their ACGRs that their risk events were confined to those inherent to their operations more than doubled.

ACGRs must also inform about the governance committees and bodies responsible for establishing and monitoring the control mechanisms. Figure 10 shows the distribution of listed companies based on the body responsible for these tasks.

The number of companies that charge the audit committee with monitoring risk control systems rose in 2013. This proportion increased by five percentage points on 2012, accounting for 84.5% of companies.

In addition, the number of companies which did not specify any body responsible for risk control mechanisms fell significantly from 10.3% in 2012 to 2.1% in 2013.

Body responsible for control mechanisms FIGURE 10



Source: Companies' ACGRs and CNMV.

5 Internal control and risk management in the financial reporting process (ICFR)

CNMV Circular 5/2013, of 12 June, established, among other aspects, the ACGR forms for listed companies, which contain a specific section for reporting on ICFR. 2013 is accordingly the first year in which listed companies have had to conform to a mandatory format for their ICFR disclosures, which has made it easier to standardise the information described by companies and has in some cases led to improvements with regard to the descriptions in 2012.

One of the recommendations of the expert group was to have ICFR descriptions made subject to auditor review, which was followed by 46 companies (32 and 2012), while a further 11 (13 in 2012) undertook wider-ranging reviews, with both groups together accounting for approximately 35% of the total (26% in 2012). The percentage of Ibex 35 companies subject to auditor reviews stood at 88%. Two thirds of the companies not reviewed by an auditor explained their reasons (50% in 2012).

94% of obligated securities issuers completed all sections on ICFR. Of the remainder, two companies completed no sections at all on the grounds of their being in the process of liquidation or undergoing insolvency proceedings.

The sections to be improved include those describing the control and monitoring of the functioning of the system as these descriptions are sometimes limited to reporting the existence of the controls or activities without going into any detail as regards their description or scope.

The main conclusions obtained following an in-depth review of a sample of 80 companies (including all Ibex 35 members) are as follows:

– The company's control environment for financial reporting: 90% of companies identified the board of directors as responsible for the existence and maintenance of ICFR, and the audit committee as responsible for its oversight.

– Evaluation of financial reporting risks: 63% of the companies gave a sufficiently detailed account of the features of their risk identification process, though descriptions are vague in the remaining 37% of cases.

– Control activities: 91% of the companies reported the existence of control activities to mitigate the risk of errors or irregularities in financial reporting, although not all of them provided a description.

– Information and communication: over 90% of companies stated that mechanisms are in place to communicate accounting policies to the staff preparing the financial statements. However, some companies indicate that there are mechanisms, but do not describe them, while other companies confine themselves to a very generic description.

– Monitoring of the system's functioning: companies indicated that responsibility lies with the audit committee and 84% of the companies provided information on the monitoring activities conducted. 76% of the companies in the sample have an internal audit function which supports the audit committee in its monitoring role.

6 "Comply or explain" principle

Under the "comply or explain" principle, companies must state their degree of compliance with each one of the recommendations of the Unified Code –indicating whether they comply with them fully, partially or not at all– giving reasons, as the case may be, for any practices or criteria departing from the same.

In June 2013, the CNMV Board approved a partial update of the Unified Code with the aim of adapting or removing certain recommendations affected by new legislative requirements. Specifically, five recommendations were eliminated (on remuneration, conditions of directors and tenures of independent directors) while two were amended (on the audit committee and gender diversity), leaving the Unified Code made up of 53 recommendations.

The main conclusions resulting from the statements included in the 2013 ACGRs are summarised below:

– Compliance with Unified Code recommendations has continued to progress over recent years. In 2013, listed companies complied on average with 84% of the Unified Code's recommendations (82.4% in 2012), and partially with a further 7% (7.1% in 2012). Therefore, on an aggregate level, only 9% of companies did not even partially comply with the recommendations, compared with 10.5% in 2012.

– As in previous years, Ibex 35 companies again reported overall compliance (93.7%) ahead of the average of listed companies.

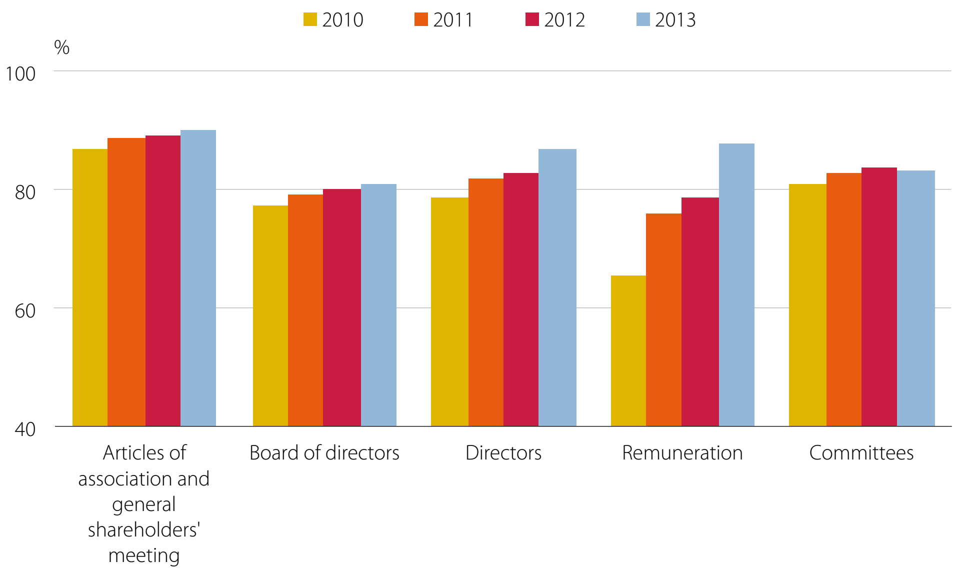
– 60 companies (42.3% of the total) followed over 90% of Code recommendations, with 11 claiming to be 100% compliant. In contrast, three listed companies reported compliance with the recommendations at below 50%.

– Only one recommendation is complied with by all companies: Recommendation 7 which establishes that the board should perform its duties with unity of purpose and independence of criteria and be guided by the corporate interest.

– The least followed recommendations were those relating to the presence of independent directors on the governing bodies. Recommendation 12 (one third of board members should be independent) and Recommendation 49 (majority of independents on the appointments and remuneration committee) were not followed by 45.1% and 38.6% of companies, respectively.

Total average compliance with the Unified Code recommendations in each category in the years 2010 to 2013 are shown below:

Overall compliance with Code recommendations FIGURE 11



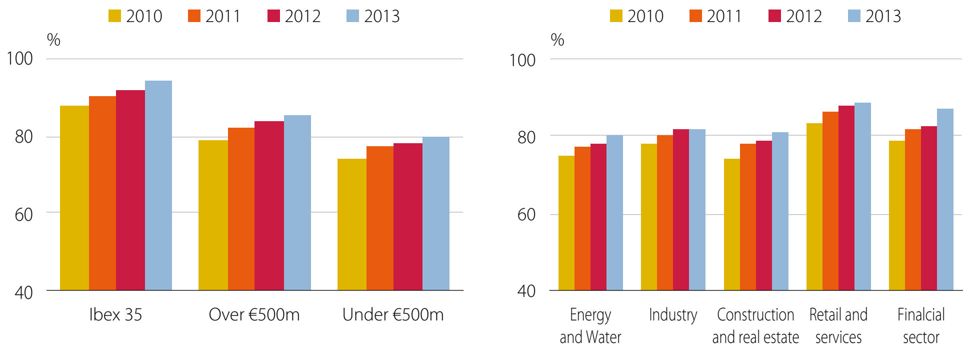
Source: Companies' ACGRs and CNMV.

Compliance with the Unified Code rose by 1.6 percentage points in 2013 to 84%. The improvement extended to all categories of recommendations except those concerning board committees.

The greatest increase (nine percentage points) was recorded in the category relating to directors' remuneration as recommendations on remuneration approval and transparency were removed after being incorporated into law.

As shown in the following figure, the level of compliance with recommendations is linked to the business sector and market capitalisation.

Compliance by sector and capitalisation FIGURE 12



Source: Companies' ACGRs and CNMV.

All sectors recorded increases in compliance with the Unified Code in 2013. The largest increase (four percentage points) took place in the financial sector, where compliance rose to 86.9%.

Ibex 35 companies report a level of non-compliance of around one quarter that recorded by companies with market capitalisation below 500 million euros.

With regard to the second part of the "comply or explain" principle, for five years the CNMV has been analysing the quality of the explanations offered by companies when they do not comply with the recommendations of the Unified Code.

These explanations should contain the information necessary for shareholders, investors and markets in general to be able to reach an informed judgement on the reasons for deviating from the Code's recommendations.

For the analysis, the 323[5] explanations which form part of the sample were classified into the following categories[6]:

– Repetitive: those which reiterate the fact of non-compliance or only indicate the existence of some departure from the recommendation.

– Limited: companies do not explain the reasons for their non-compliance, but include additional, specific information on what they consider an alternative procedure, pursuing the same goal as the Unified Code recommendation.

– General: companies indicate a general disagreement with the recommendation without identifying a company-specific solution.

– Transitional: companies undertake to apply the recommendation from which they currently deviate at a later stage.

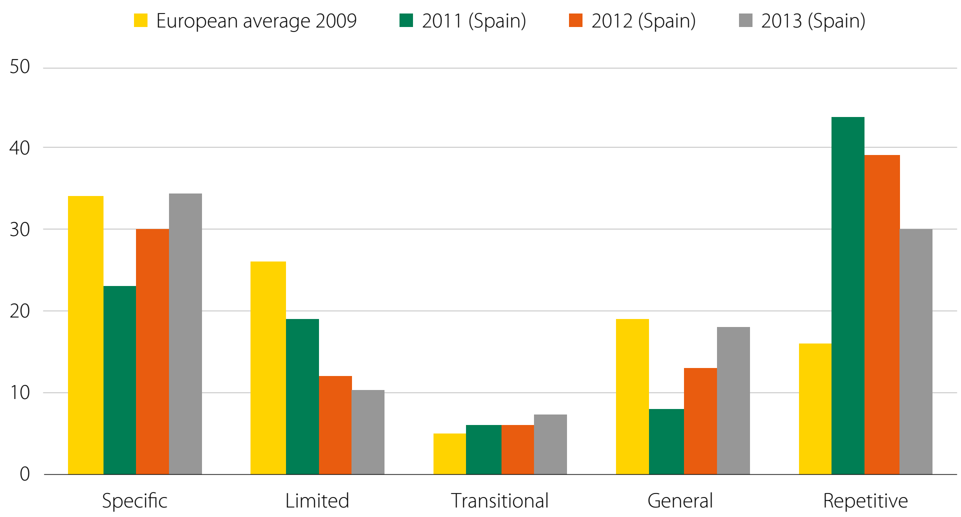
5 In 2013, a total of 367 explanations were analysed, of which 44 were discarded for containing errors. These explanations correspond to the 10 least followed recommendations of the Code (Recommendations 9, 11, 12, 14, 16, 33, 38, 42, 43 and 49).

6 Categories taken from the report on Risk Metrics: *Study on Monitoring and Enforcement Practices in Corporate Governance in the Member States* (September 2009).

– Specific: the company describes its specific situation and explains why these circumstances bar it from complying fully with the recommendation.

Figure 13 tracks the classification of the explanations for the last three years, set alongside the European Union average of 2009.

Classification of explanations: 2011-2013 FIGURE 13



Source: Companies' ACGRs and CNMV.

With the exception of Ibex 35 companies, as in previous years there was no significant improvement in 2013 with regard to the quality of information offered by companies to explain the reasons for their departure from said recommendations. The percentage of explanations rated repetitive fell by nine points. However, this was mitigated by the five-point increase in explanations of a general nature.

7 Conclusions

– Since 2006, when the Unified Code was approved, there have been significant improvements in companies' ACGRs, especially in relation to the general information offered in these reports, as well as greater compliance with the recommendations and a reduction in repetitive explanations when the recommendations of the Unified Code are not followed.

– Another significant advance is the increase of over two percentage points in the number of companies in which independent directors make up a majority of board members.

– The level of compliance with the recommendations of the Unified Code continued the growth seen over recent years, rising to a level of 84%.

  Particularly noteworthy was the financial sector, where compliance rose by four percentage points to 86.9% in 2013.

– Although the information provided in ACGRs as a whole has improved, there are areas for improvement. One of these is the explanations provided by companies when they depart from the corporate governance recommendations which did not contain sufficient information for shareholders, investors and markets in general to be able to reach an informed judgement of the reasons for departing from the recommendations.

  In this regard, these companies should take into account the recommendation issued by the European Commission on the "comply or explain" principle[7], which provides guidelines on how companies should explain any departure from corporate governance recommendations.

– The average presence of women on company boards stood at 12%, which, while 1.6 points up on 2013, should still be considered a very low proportion.

– Companies whose chairperson is the chief executive and that do not have a coordinating director should appoint one in order to comply with the new aspects introduced in the Capital Companies Act.

– Listed companies which have not set up an appointments and remuneration committee should do so in 2015 in order to adapt to the new legislative requirements.

– Other information in the ACGRs which has improved, although it could still be further perfected, is that relating to the identification of risks faced by the company and which eventually materialise. Companies reporting no risks materialising in 2013 fell by over 17 percentage points, while there was a rise in companies which identify only materialised risks relating to their operations, but without individually identifying each risk.

7 http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014H0208&from=EN

Digital platforms for crowdfunding: Characteristics, recent development and regulatory initiatives

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1 Introduction

The dizzying pace of new technologies has had a significant impact on patterns of behaviour and interaction in our society. The possibility that people located at different points of the planet are able to communicate immediately, share information, ideas, goods, money or cooperate in some manner towards achieving a common purpose is modifying the roles traditionally taken on by different social agents.

The financial sector has been no exception to this trend and it has seen the appearance of new ways of channelling the monetary surpluses of savers without the presence of traditional intermediaries, such as banks.

One of the alternative funding systems which have undergone greatest growth in recent years is 'crowdfunding', which is receiving growing attention from the academic world, authorities and the general public. This name covers the raising of finance for a particular project, particularly through the Internet. The agents requiring funds and the potential investors come together in a digital platform which is normally developed and managed by private initiative.

The potential of this funding mechanism lies in its capacity to bring together considerable sums of money through small contributions from a large number of investors[1] and to use them for funding aspects of the economy which are currently subject to severe credit restrictions, such as newly-created companies or consumption.

Like all funding activities, crowdfunding involves risks for investors. Regulatory initiatives are relatively recent. In the case of Europe there is still no shared approach with regard to this issue, although ESMA has already suggested that consideration should be given to the suitability of such a shared approach. The initiatives developed thus far are exclusively national, particularly those adopted in France, Italy and the United Kingdom. Spain has also chosen this route and is currently pushing through a Draft Law which will establish a regulatory framework.

The aim of this article is to describe the main characteristics of crowdfunding, provide data of interest which will help rate its current importance as well as the outlook for the future and summarise the regulatory initiatives. Section 2 reviews the main characteristics of crowdfunding, the different formats which it may take, the main participants and the different stages of an operation of this type. Section 3 offers some data of interest about the sector, such as the amounts raised, returns on the funding and default estimates. Section 4 focuses on the regulatory initiatives implemented in the European Union, particularly those in France, Italy and the

1 Many platforms do not establish minimum thresholds for contributions and so these may sometimes be of one euro.

United Kingdom. Section 5 offers some data on Spanish crowdfunding and, above all, describes the main provisions provided for in the Draft Law Promoting Business Financing, which aims to channel the regulatory initiatives in Spain. The article finishes with a section of conclusions.

2 Establishing the foundations of crowdfunding

Crowdfunding is one of the most visible trends of what is referred to as 'crowdsourcing' –a term coined in 2006 by Jeff Howe[2] to refer to open calls of contributions for completion of a task by an indefinite and normally large group of people.

Although crowdfunding tends to be associated with monetary contributions made for altruistic purposes, the truth is that we can identify four types of crowdfunding depending on the type of remuneration received by the participants in these projects:

– Donation crowdfunding. The money is given without expecting anything of value in return.

– Rewards-based crowdfunding. The compensation received by participants is non-monetary, such as appearing in the credits of the film or having preference in access to certain digital content. This type of crowdfunding is not necessarily associated with philanthropic projects, and may be used to finance business projects. In this case, the owners raise finance through their potential customers, who advance payment of a future expense so that the project owners thus reduce the exposure of their own capital or the need to use other forms of financing: banks, grants, sponsors, etc.

– Crowdlending or micro-loans. The participants obtain a debt instrument which gives them the right to receive remuneration which is pre-established, or agreed between the parties, and the return of the principal on maturity. We can distinguish two types of crowdlending: lending to people, also called P2P lending, and lending to companies, P2B lending.

– Equity crowdfunding. Investors acquire shares of the company and their remuneration is linked to the success of that company.

The following two sections will mainly concentrate on the last two types, which make up financial crowdfunding. In the future, this may be set up as an alternative or supplementary source of business funding from traditional formulas of banking and traditional financial markets.

2 Howe J.(2006), "The rise of crowdsourcing", available at http://archive.wired.com/wired/archive/14.06/crowds.html?pg=4&topic=crowds&topic_set=

2.1 Participants in a crowdfunding operation

In a crowdlending or equity crowdfunding operation, there are three main participants: the owner of the project, the investors and the digital platform.

Who uses crowdfunding?

Micro-businesses, newly-created businesses and natural persons who require non-mortgage credit are some of the groups that have been most adversely affected by the restriction in bank credit as a result of the financial crisis starting in 2007. In order to carry out their projects, these economic agents have needed to use other funding models, which include crowdfunding.

Crowdfunding, in both the category of crowdlending and equity crowdfunding, is proving to be a viable source of funding for businesses when they are at the stage at which they are not interesting investments for banks, but which need funds until they are able to generate a stable flow of income and thus have access to more fluid funding.

In the case of micro-loans to natural persons, crowdfunding primarily offers formulas for managing family debt. For example, 87.3% of the users of one of the most dynamic platforms in the United States[3] state that the use of the funds obtained will be to refinance other loans or cancel credit card debt.

Even though obtaining funding is the main motivation for individuals and businesses, other motivations have been identified when promoting a crowdfunding operation. Owners have used them in their marketing campaigns to publicise products which are in the first stages of development and later using the positive feedback from investors about the product, who are also potential customers, as a letter of presentation for other traditional forms of funding[4].

What do investors look for and what are the risks?

One of the consequences of the financial crisis of the last few years is an increase in the negative perception which the public has of the banking system, which they blame, to a large extent, for causing the crisis, selling unsuitable financial products to customers, causing them significant losses, and obtaining excessive governmental support which would later contribute towards the need to implement measures to adjust public spending in such vital sectors as health and education.

This disrepute has meant that some savers have transferred resources towards financial options which are considered to have a more ethical component. In general, the public considers that these types of financial agents do not only strive to maximise

3 Lending Club. Statistical data available on its website: https://www.lendingclub.com/info/statistics.action

4 Paper by Mollick, E (2013), "The dynamics of crowdfunding: An exploratory study", provides an in-depth analysis of the motivation of owners and investors for getting involved in a crowdfunding operation. Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2088298

their own profit, but that they allocate their customers' funds to finance projects which might provide added value to society as a whole and, ultimately, provide a return on their savings. Crowdfunding aims to respond to this approach and is therefore attracting an increasing number of both professional and individual investors.

Even though obtaining returns is not the priority objective for many of these investors, it has been verified that the low interest rates offered by banks to their customers is encouraging some small savers to enter the world of crowdfunding, in which they may obtain greater returns. In order to illustrate this situation, we can simply mention that in September 2014 the average interest rate offered by Spanish banks for new deposits stood at around 0.79%[5], while the returns declared by some of the lending platforms stood at 11.9%[6].

It is clear that the levels of return which can currently be obtained through crowdfunding are not comparable with those offered by banks, but this is also the case of the risk which they involve. While bank depositors and investors who perform their operations through an authorised investment firm fall under the cover of the Deposit Guarantee Fund and the Investment Guarantee Fund, respectively, investors in crowdfunding do not have the support of any similar institution.

The risk is even higher when choosing equity crowdfunding in a company. Various studies[7] have addressed the suitability of this instrument for unqualified investors and suggest that typical problems in venture capital operations, such as the existence of asymmetries in access to information or the appearance of conflicts of interest among investors and between investors and owners, may be exacerbated in an investment of this type.

Firstly, unlike venture capital companies or funds which carry out costly in-depth studies about the viability of the companies in which they invest, investors in crowdfunding will be less likely to carry out, on their own account, a sufficiently thorough due diligence analysis. The reasons for this include a lack of training, the possibility of joining in with the decisions taken by other investors who are considered more qualified or the limited exposure of their resources.

Once the operation has been formalised, the involvement of an equity crowdfunding investor throughout the life of a project is much lower than that of a professional, who actively participates with the aim of increasing the value of his/her investment. In the event that all, or a group, of the investors decide to actively participate, there are also no reasons to think that their contributions might provide value to the project, and, futhermore, the cost of coordination between all the investors and

5 Source: Bank of Spain.

6 Data published by the consumer lending platform Zank.

7 Kantor, R. (2014), "Why venture capital will not be crowded out by crowdfunding", available at http://works.bepress.com/cgi/viewcontent.cgi?article=1071&context=bocconi_legal_papers, Wilson K. E. and M. Testoni (2014), "*Improving the role of equity crowdfunding in Europe's capital markets",* available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2502280 or Hornuf L. and A. Schwienbacher (2014), "Crowdinvesting - Angel Investing for the Masses?", available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2401515

the owner may be high. The ability to supervise projects is also lower due to the geographical distances that may exist between the investor and the owners.

To conclude, it is important to point out that the divestment mechanisms in a project of this type are limited. These mainly occur by means of a public offering of the shares or their acquisition by a larger company. Venture capital professionals evaluate the exit options of their investment before agreeing to participate in the project; they are aware that the terms for maturity may be considerably delayed and they are proactive in the exit processes of their investments. A small investor is not always aware of these difficulties, of the likelihood that they will not obtain as high a remuneration as they expect and, even, the failure of the project and the loss of their money.

Consequently, some regulators, such as the British Financial Conduct Authority (FCA) warn the public that an investor in crowdfunding has little or no protection in the event that a project fails and that, in this case, they will probably lose all of the money invested. It also suggests that this type of investment should be aimed at sophisticated investors who are able to assess the potential of a recently-created business and understand the risks involved[8].

What do digital platforms offer?

As indicated, crowdfunding platforms are websites which place project owners in contact with potential investors who provide the funds for developing such projects.

The appearance of these portals is linked to the development of digital technologies in different areas. One of these has been the perfection of electronic payment systems, which has made it possible to implement the monetary exchanges necessary to perform these operations in a quicker and safer manner. In particular, the improvements introduced in electronic payment systems make it possible to verify, immobilise and subsequently reimburse the funds committed by investors. Throughout the life of the project, they also make it possible to channel the reimbursements of money which are necessary from the owner's account to investors.

Another of the advances which this funding mechanism is benefiting from is the perfection of electronic signature systems for formalising contracts, although not every platform uses this technological resource. The contributions are often grouped into one single loan which the platform formalises on behalf of investors, from which it has previously obtained a mandate.

It is important to mention the role which social networks are having in promoting projects and, ultimately, in promoting crowdfunding. A person or business who wants to get involved in a project published on a platform may take on another type of role, in addition to that of investor, such as that of project sponsor or ambassador, supporting the initiative through social networks or providing direct advice or supervision of the owner company or the project itself.

8 See the chapter on crowdfunding published by the FCA on its website: http://www.fca.org.uk/consumers/financial-services-products/investments/types-of-investment/crowdfunding

As in other business models arising thanks to the development of new technologies and the explosion of the Internet, crowdfunding platforms mitigate the imbalances caused by geographic distance. These platforms make it possible to put economic areas or individual agents with available funds into contact with others requiring funds, establishing a direct communication channel between both parties with the same ease of access for everybody, irrespective of their individual location.

The platform operators usually take on limited liability in the relations between owners and investors. The platform's activity is limited to the services which are provided to the parties, in addition to allowing them to interact in a digital environment. Accordingly, for example, they advise those requiring funding about the process of drawing up factsheets and presentations for the projects which, subsequently, will be uploaded to the platform. They also publish a credit rating to guide investors about the level of risk associated with each initiative. However, they are not obliged to verify the accuracy of the information provided by the owners on the project or on the owner's financial position[9].

The fact that the platform is the only channel of communication between the investor and the owner is one of the main risks of this activity. Temporary or permanent interruption of the activities of the platform would not only hinder the exchange of information between the counterparties, but it would also have legal repercussions given that, as mentioned earlier, the platform may position itself as the representative of the investors in the formalisation of contracts and act as depository of the documentation. The money flows between the parties would also be affected as it is usual for platforms to manage the lending and coordinate payments to the investors. This potential risk is especially significant if we take into account the geographic distances which may exist between the owner, each one of the investors involved and the operators of the platform. This situation is aggravated by the growing internationalisation of the platforms and the fact that the contracts may be subject to the legislation in force in different jurisdictions from that of the investor, which introduces greater complexity.

The platforms have operated thus far in a legal vacuum as there are no legal requirements such as those which are common for other financial agents: licence, authorisation or registration in order to carry on the activity, supervision by a public agency, corporate governance rules, transparency requirements, etc.

In recent years, in response to the rapid growth of this activity, the regulators of numerous countries, including Spain, have considered it necessary to establish a legal framework for crowdfunding with the aim of mitigating and facilitating the management of risks inherent to this type of funding through mechanisms such as the introduction of limits to the investment volumes for non-professional investors or the requirement to provide investors with sufficient information in order to facilitate decision making.

9 According to data published on the website of one of the main British platforms, Funding Circle, for 30% of the requests for funds the information on the requestor's annual income had not been verified.

2.2 Process of a crowdfunding project

The stages through which a project passes from its presentation on a platform up to its termination are usually as follows:

Selection and evaluation stage

When presenting a project for publication on a platform, the owner is subject to an initial evaluation process which involves analysing the suitability of the project for the platform, its viability and the characteristics of the request for funds. The operators of the platforms usually advise the owners on the most suitable way to announce the project, both with regard to drawing up the factsheet or the video which will be uploaded to the platform, and with regard to the most appropriate financial instrument (loan or equity), the target interest rate, the term and manner in which the funds obtained will be returned. Those projects which pass the initial filter receive a credit rating from the platform which provides investors with a guide about the risk that they would be taking on.

Proposal publication and receipt stage

The projects are published on the platform with the financial conditions and a deadline for obtaining the funds. At that time, information is made available to investors about the owner. If the funds are requested by natural persons, this information includes a declaration of annual income and, in the case of legal persons, financial statements of recent years or provisional financial statements of recent months, as well as a description of the project. At the same time, a forum is opened in which potential investors can ask questions or request additional information. Interested investors enter their funding commitments and, where appropriate, the desired return. The project is closed following the fundraising deadline.

Most of the platforms take on the "all or nothing" format: if after the stipulated time the full amount of the funds has not been raised, the project is cancelled and the owners do not receive any amount. However, some platforms offer alternatives in the event that only small percentages, normally between 5% and 10%, have not been covered. The two most common alternatives are as follows:

– Formalise the operation with partial funding, if the owner agrees.

– Find a sponsor. Some platforms allow for a sponsor who may commit to covering the last tranche of the fundraising, with a limit of 10% of the total.

Platforms normally act as simple intermediaries between owners and investors, although in some cases they may participate and position themselves as just another investor.

Formalisation of the operation and payment of the funds

The contractual relationship between the owner and the investors are mainly formalised in one of two main ways. In the first, the party which raises the funds signs contracts with each one of the investors, with the standard contract normally provided by the platform. In the second, the platform groups together the funding received and takes on the role of administrator of the agreed financial instrument, signing the contract with the owner on behalf of the mass of investors.

After the relationship between the different parties has been formalised, the platform pays the money raised into an account provided by the owner for this purpose.

Project management

The platform is responsible for managing the monetary flows associated with the project (payment of interest, dividends or principal), channelling relevant information about the progress of the project and the owner to investors and, where appropriate, processing the defaults and incidents on behalf of the investors.

Termination of the project

Upon maturity, the owner reimburses the outstanding principal and interest through the platform and the contractual relationship between the parties is considered as terminated.

3 Crowdfunding in figures

It is not easy to find data which reflects the size of this type of funding as not every country has a regulatory framework which provides transparency to the activity, and not all platforms publish data about the conditions of the financed projects.

One of the key sources of information is the report published by the consulting company Massolution[10], which analyses the activity of 308 platforms from around the world. This consulting company sets the volume of funds mobilised through crowdfunding in 2012 at €2.1 billion, which is divided equally between the financial remuneration model –lending and equity– and the non-financial remuneration model –donation and rewards-based.

These amounts may seem insignificant compared with more traditional forms of funding[11], but the growth of this type of funding has been exponential over recent years. As shown in Figure 1, not all crowdfunding models follow the same trend, with resources moving towards rewards-based and crowdlending projects.

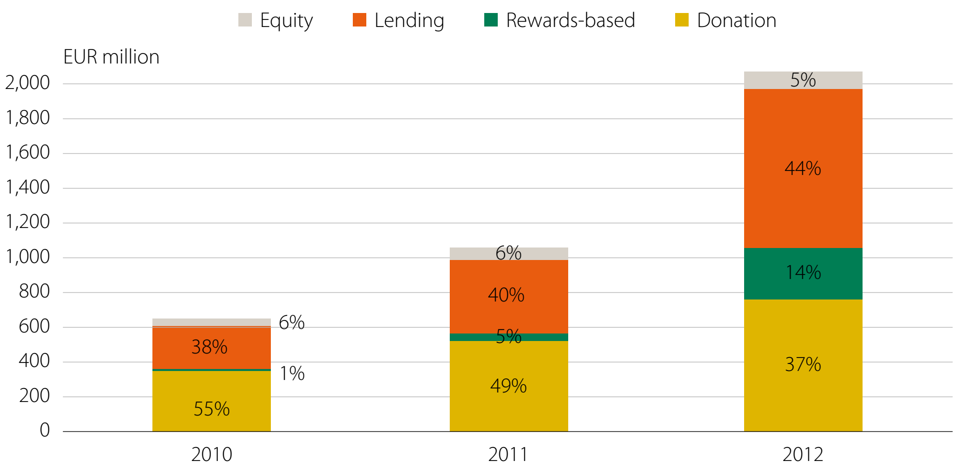
The share of equity crowdfunding remains at very low percentages and is not expected to take off in the coming years. On the contrary, financing through crowdlending

10 Massolution (2013), "2013CF Crowdfunding Industry Reports", available at http://www.crowdsourcing.org/editorial/2013cf-the-crowdfunding-industry-report/25107?utm_source=website&utm_medium=text&utm_content=LP+bottom&utm_campaign=2013CF+Launch

11 For example, in 2012, fixed-income issues by companies, in Europe alone, amounted to 436 billion euros.

is positioning itself as an attractive alternative for non-qualified investors who search for higher returns for their savings than those currently offered by banks.

Funds raised through crowdfunding FIGURE 1



Source: Massolution.

The financial conditions of this type of lending are determined by the interaction between investors and owners. Investors decide the amounts which they are willing to commit to the project, although sometimes the owner may establish minimum investment thresholds. On the other hand, the payment dates for interest and reimbursement of the principal are set by the owner. Finally, the interest rate may be set using two main methods. The first option is that owners previously decide the interest rate that they are willing to pay for the funds which they obtain. In the second option, the interest rate is set by means of a blind auction between the funding proposals received from the potential investors. Once the period for receiving proposals has ended, owners will only choose those necessary to cover their request for funds, starting with the cheapest. In this case, the investors who eventually participate in the project will receive the interest rate of their respective proposals, which may vary greatly.

No aggregate data has been found about the NPL or default ratios of projects financed through crowdfunding, largely because most of these platforms have only been operating for a short time.

Some of the older platforms do usually publish data on the incidents in their operations. For example, one of the main US platforms[12] reported on its website that at December 2014 the accumulated defaults in the last three years accounted for 4.5% of the total amount committed in that same period, and that late loans amounted to 3.3% of the outstanding balance at that time. In the case of Spain, one of the most consolidated platforms, Comunitae, publishes on its website the amounts which are currently subject to a legal process for their recovery: at year-end 2014 there were

12 Data obtained using the statistics published by Lending Club on its website, https://www.lendingclub.com/info/demand-and-credit-profile.action. Defaults do not include the outstanding balance of late payments and the recoveries taking place after the loan was declared as in default are deducted.

440,078.46 euros in this situation, accounting for 3.5% of the funds mobilised since its start-up in 2009.

Neither is there any information on the evolution of the projects financed with equity crowdfunding as, due to the recent formalisation of many of these operations and the greater period to maturity required for this type of investment, there are no statistics that provide information on the returns received by investors[13].

One of the aspects to which investors in venture capital pay special attention is the mechanism for exiting the project as the options available are limited and may turn into complex or prolonged processes. According to data published by the European Venture Capital Association (EVCA)[14], the divestments of venture capital in 2013 affected 994 European companies and took place mainly through the acquisition of shares by new industrial shareholders (20.7% of companies), while public offerings were very limited as only 0.4% of the companies chose to undertake an operation of this type[15].

Another method for transferring the shares acquired through equity crowdfunding is through the spaces set up for this purpose by the platforms themselves. In these, investors may sell the equity as well as the outstanding loans to other investors registered on the platform.

In addition to the secondary markets, other newer formulas are being tested, which include securitisation operations promoted by professionals specialised in investment strategies with loans originated online, which are common in the main lending platforms. The aim of the assigners of these loans is to release resources and capital so as to operate again in the platforms. These types of operations facilitate turnover, not only of the portfolios of the specialised investors, but also those of other investors who receive offers through the aforementioned secondary lending markets in order to complete the credit rights packages assigned in these transactions.

4 Crowdfunding in the European Union

The volume of projects funded through crowdfunding in Europe remains modest when compared with other forms of funding such as bank credit or venture capital. However, it has recorded very significant rates of growth, particularly in the crowd-

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13 Taking as reference the data published for other forms of venture capital with a long history, such as funds or companies, between 30% to 40% of the projects ended with liquidation of the company's assets, 75% never returned the full amount of the money provided by investors and over 95% did not provide investors with the expected return. See Wall Street Journal article (2012), "The Venture Capital Secret: 3 out of 4 Start-Ups Fail", available at http://www.wsj.com/articles/SB10000872396390443720204578004980476429190

14 European Private Equity and Venture Capital Association (2013), "2013 European Private Equity Activity", available at http://www.evca.eu/media/142790/2013-European-Private-Equity-Activity.pdf

15 The other exit routes used by European venture capital were: write-offs (15.2%), sale of quoted equity (12.6%), sale to another private equity firm (5.8%), sale to management (5.8%) and other means (6.1%).

lending and equity crowdfunding categories, which seems to indicate that it could become an alternative to other traditional sources of funding.

In this regard, the European Commission Green Paper on Long-Term Financing of the European Economy, dated March 2013[16] indicated the need to develop or promote other sources of "non-traditional" sources of finance, such as crowdfunding, and to guarantee that these markets grow in a sustainable manner and are properly supported within a regulatory framework. In addition, the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of March 2014[17] indicated that crowdfunding is a new emerging financing model with significant potential for funding different types of innovation, creative, cultural and social projects which have difficulties accessing other forms of finance and it should therefore be promoted.

The European Commission Green Paper published on 18 February 2015[18] includes a question about the possible barriers which might hinder the operations of regulated platforms in different Member States of the European Union.

Furthermore, the European Securities and Markets Authority has published two documents (ESMA/2014/1378)[19] and (ESMA/2014/1560)[20] on equity crowdfunding. These documents describe the existing business models in the European Union, the risks associated with this activity and the EU legislation which might be applicable. It also indicates the requirements which should be met by an appropriate regulatory framework.

In addition, the European Banking Authority is working in this direction with regard to crowdlending, although it has not yet published the results of its work.

Crowdfunding is a very recent phenomenon and therefore no harmonised European legislation exists specifically relating to this activity. EU rules which regulate, among other aspects, brokerage services, issues of financial instruments or the provision of payment services may be applicable to some activities performed by the platforms[21]. However, the rules regulating financial services in the European Union refer to other types of intermediaries, products, instruments and activities and therefore do not seem appropriate for the business models of platforms which promote projects with a financial return.

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16 http://eur-lex.europa.eu/resource.html?uri=cellar:9df9914f-6c89-48da-9c53-d9d6be7099fb.0009.03/DOC_1&format=PDF

17 http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0172&from=EN

18 http://ec.europa.eu/finance/consultations/2015/capital-markets-union/docs/green-paper_en.pdf

19 http://www.esma.europa.eu/system/files/2014-1378_opinion_on_investment-based_crowdfunding.pdf

20 http://www.esma.europa.eu/content/Advice-Investment-based-crowdfunding

21 Directive 2004/39/EC, of the European Parliament and of the Council, of 21 April 2004 on markets in financial instruments; Directive 2003/71/EC, of the European Parliament and of the Council, of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, and Directive 2007/64/EC, of the European Parliament and of the Council, of 13 November 2007 on payment services.

Some countries, such as France[22], Italy[23] and the United Kingdom[24] have recently approved national legislation regulating crowdfunding so as to strengthen its development and at the same time ensure suitable protection for investors. In these countries, crowdfunding platforms must be registered with the competent authorities, while in other countries such as Germany, Ireland and Belgium this activity may be performed by unregulated entities. There is therefore no current common approach with regard to crowdfunding regulation in the European Union, which might generate notable differences in the legal treatment of this activity between Member States.

The main features of the regulatory regime adopted by France, Italy and the United Kingdom are described below. The following section also highlights the main features of the resume proposed in Spain through the future Law on Promoting Business Financing, which is currently being pushed through Parliament.

The evolution of crowdfunding in the aforementioned three countries has been uneven. While the United Kingdom and France are the main European countries in terms of platforms and volume of financed projects, the sector has only recently taken off in Italy (as shown in Table 1, the Italian regulation limits these activities to the funding of newly-created innovative business projects).

In these three cases, the regulation applies to financial crowdfunding models in which the investors expect to receive a monetary remuneration for their investments[25]. The new rules essentially relate to the following three aspects: 1) platform requirements, 2) project characteristics and 3) measures aimed at investor protection.

Platform requirements

In the United Kingdom, France and Italy, the activity of putting in contact project owners and potential investors may be performed by two types of entities: i) authorised financial intermediaries, such as investment firms or credit institutions, and ii) crowdfunding platforms registered in accordance with national law.

Financial intermediaries should be authorised and registered by the national authorities and therefore must comply with the requirements established in harmonised European legislation[26]. With this authorisation they may perform different services

22 Regulation in force since October 2014. See http://www.legifrance.gouv.fr/affichTexte.do;jsessionid=83B9355A9B667F75F9E7D92C28C076D0.tpdjo13v_1?cidTexte=JORFTEXT000029008408&dateTexte=20140601 and http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000029463569&categorieLien=id

23 Regulation in force since June 2013. See http://www.consob.it/mainen/documenti/english/laws/reg18592e.htm

24 Regulation in force since April 2014. See http://www.fca.org.uk/news/ps14-04-crowdfunding

25 In Italy, these platforms cannot mediate in projects financed through loans.

26 Directive 2004/39/EC, of the European Parliament and of the Council, of 21 April 2004 on markets in financial instruments (MiFID Directive) and Directive 2014/65/EU, of the European Parliament and of the Council, of 15 May 2014 (MiFID II Directive).

and activities with financial instruments. However, these requirements may be excessive for platforms which are only interested in putting in contact the project owners and financers. Therefore, the national regimes are less stringent with regard to the minimum capital and organisational requirements of platforms in exchange for limiting the activities which they may perform.

Requirements for crowdfunding participants in national regulations TABLE 1

	Capital requirements	Registration requirements	Organisational requirements	Reporting requirements	Knowledge of customer	Investment limits	Limits per project	Limits on types of projects/ securities
France	No	Registration with AMF or professional association	Yes	Yes	Risk warnings and suitability test	€1,000 a year per lending project	€1,000,000	Shares, fixed-term bonds and loans
Italy	No	Registration with CONSOB	Yes	Yes	Questionnaire and declaration from retail investors on acceptance of losses	5% issue subscribed by professionals	€500,000,000	Shares or equity holdings in newly-created innovative companies
Spain[1]	Minimum €60,000 or professional civil liability insurance	Registration with CNMV	Yes	Yes	Risk warnings	€3,000 per project and €10,000 per year per platform for non-accredited investors	€2,000,000 for non-accredited investors and €5,000,000 for accredited investors	No
United Kingdom	Depending on services rendered (minimum 50,000 or insurance)	Registration with FCA	Yes	Yes	Risk warnings and suitability test	10% of net assets for retail investors in illiquid securities	No	No

Source: CNMV.

1 Draft Law Promoting Business Financing.

The legislation aims to ensure that platforms have sufficient organisational and operating resources, and that their staff have the knowledge and experience necessary to exercise their activity with due diligence, neutrality and in defence of the customer's best interest. Similarly, they are required to adopt measures which ensure that the customers' assets are properly separated from those of the platform, and they must therefore be deposited in an entity which is duly authorised for this purpose.

Project characteristics

As shown in Table 1, some countries have established limits with regard to the size of the project, the instruments used for their funding or the characteristics of the owners. The aim is to limit the risk taken on by investors or financers, taking into account that most of them are retail investors with more limited knowledge of the sector than professional investors.

Investor protection measures

As indicated, one of the reasons why financers decide to participate in equity crowdfunding or crowdlending projects is the possibility of obtaining a monetary return associated with their investment, which leads to a series of associated risks. It is therefore necessary to adopt measures aimed at protecting investors' interests and ensuring that they have all the information necessary to take the decisions and understand the nature and risks of these investments.

In this regard, in the countries which have chosen to regulate these activities, measures are established aimed preferably at protecting retail investors, such as limits to the amount which they may allocate to the financing of the project or to the total annual amount invested or to the acquisition of illiquid securities.

In addition, registered platforms are required to obtain information about the investment objectives, financial position, knowledge and experience of retail investors with the aim of assessing the suitability of the investments. For their part, investors should receive, prior to their investment, clear and sufficient information on the characteristics of funded projects or on the securities or instruments used to finance them. In particular, they should be suitably informed and warned about the associated risks and about the absence of compensation mechanisms which allow them to recover part or all of their investments in the event of bankruptcy or insolvency of the platforms or the project owners.

5 Crowdfunding in Spain

It is calculated that in 2013 crowdfunding moved 19.1 million euros in Spain, 97% up on the previous year[27]. In total, 67 active platforms were recorded, of which 27 were orientated towards financial crowdfunding. Table 2 offers an informative summary of the conditions applied to the operations performed on four important Spanish platforms, broken down by type of operation.

As in the rest of the European Union, crowdfunding in Spain is a funding mechanism which is not yet sufficiently mature[28]. Nevertheless, crowdfunding projects are becoming an increasingly popular investment option both for the general public and for specialised investors. Therefore, it has also been considered necessary in Spain to establish a legal framework for these activities which will offer protection to investors, particularly those considered less qualified, and which will facilitate appropriate performance of this type of funding, which may be particularly useful for newly-created or small companies. The proposal for the Spanish regulatory

27 Data obtained from the reports published by Infocrowdsourcing (2013), "Mercado de *crowdfunding* en España y Latinoamérica 2013" [Crowdfunding market in Spain and Latin America 2013], available at https://www.scribd.com/fullscreen/210077848?access_key=key-1aeqj4364bdu4xo3vlwc&allow_share=true&escape=false&show_recommendations=false&view_mode=scroll

28 According to a study conducted by the digital newspaper *Cinco Días,* in September 2014 only two out of every 10 projects raised the funds requested during the established period for raising funds. http://cincodias.com/cincodias/2014/11/13/emprendedores/1415896646_793093.html

framework has taken shape in the Draft Law Promoting Business Financing, approved by the Council of Ministers on 3 October 2014 and submitted for its passage through Parliament. This Draft Law only takes into consideration those crowdfunding models aimed at funding specific business, educational or consumer projects. In these activities, the proposed legislation identifies three key agents: platform operators, owners of the projects to be financed and investors.

Funding conditions at different Spanish platforms according to product offered TABLE 2

	Equity	Loans to companies	Loans for working capital	Consumer loans
Total funding granted (euros)	1,940,000	1,120,840	785,616	13,300,000
Average project size (euros)	242,500	33,965	37,410	4,680
Average contribution size (euros)	3,000[1]	377	n/d	50[1]
Average return	–	8%	6.5%	11.9%
Reimbursement term (months)	–	6-36 months	100 days	6-48 months

Source: CNMV using data published by Crowd Angel, Arboribus, Loanbook and Zank at December 2014.

1 Minimum contribution.

The crowdfunding platforms (Spanish acronym: PFP) which offer these models must obtain authorisation from the CNMV to carry on their activity. The requirements established for an entity to obtain said authorisation include the following:

– The corporate purpose must exclusively include the typical tasks of crowdfunding platforms.

– Their registered address, as well as their effective administration, must be in Spain or another Member State of the European Union.

– The legal form adopted must be one of those included in the category of capital companies with an indefinite duration.

– The minimum share capital required will vary with the platform's level of activity. PFPs must at all times have paid-up share capital of 60,000 euros[29]. If in the last 12 months the funding of projects exceeds two million euros, the own funds[30] of the platform should be at least 120,000 euros. When the total amount of funding formalised stands at between 5 and 50 million euros, they should increase own funds by 0.2% of the amount above five million and, as from 50 million, by 0.1% of the surplus of said amount. Under no circumstances may the additional required amount exceed 2 million euros.

– They must have a good organisation and suitable resources to guarantee the proper functioning of the services provided.

29 Alternatively, PFPs may take out professional civil liability insurance, a guarantee or similar security.

30 The Draft Law considers the own funds of these platforms to be the sum of the fully paid-up capital, the share premium and the reserves.

- They must have an internal code of conduct which establishes, in particular, rules on conflicts of interest and participation of directors, executives and employees in the funding requests made through the platform.

Once authorisation from the CNMV has been obtained, they should be included in a PFP register established for this purpose and they will be subject to the supervision, inspection and disciplinary regime of the CNMV set up for this purpose.

Platforms are required to check the suitability of the proposed funding projects, as well as the owner's identity. Once a project is accepted, the platform must ensure that a funding target and deadline are set. If the established funding target is not met, the amounts contributed must be returned, although it does provide for the situation in which partial funding of the project might be accepted. If the funds raised exceed the requested amount, the surplus must be returned.

The forms of funding provided for in the PFPs are as follows:

- Issue or subscription of bonds, ordinary and privileged shares, as well as other equity securities[31].

- Issue or subscription of equity instruments of limited liability companies.

- Loan requests[32].

In addition, platforms may provide a series of services both to owners and to investors, which include the following:

- Advice to owners with regard to publication of the project on the platform.

- Analysis of the crowdfunding projects and rating of the associated risk or any other variable which might be useful for investors in the decision-making process. Under no circumstances may this work be considered as a recommendation or financial advice.

- Enabling of channels of communication between investors and owners throughout the project's life-cycle.

- Providing the parties involved with the standard contracts for formalising the operations.

- Judicial and extrajudicial claims for unpaid credit rights on behalf of investors or on its own behalf if the investors assign it their credit rights.

The information made available to potential investors must be concise, drawn up in non-technical language and sufficient for an average investor to issue a well-found-

31 In this case, operations should not require or should be exempt from publication of the prospectus in accordance with the Securities Market Act.

32 Loans may not include a mortgage guarantee over the primary residence.

ed opinion on the funding decision. The platform must guarantee that the information on each one of the projects reaches all the potential investors and it must provide daily updates on the status of participation in the project, as well as the percentage of participation taken on by investors classified as accredited by the platform itself. Once the funding period has ended, this must be published on the website corresponding to that project.

No owner may have more than one project published on a specific PFP at the same time. The maximum amount of funds raised per project through each one of the authorised PFPs may not exceed two million euros.

The information received and published on a formalised project should be continuously available on the website for the investors who have participated in the project for a period of no less than 12 months following the end of the fund-raising period. It should also be available to investors who request it for a period of no less than five years following the closing of the fund-raising period.

The forthcoming legislation distinguishes between accredited and non-accredited investors. Accredited investors are those defined as follows:

- Those recognised professional investors in accordance with the Securities Market Act.

- Those legal persons who meet the two of the following conditions:

  - The total amount of their assets is equal to or greater than one million euros.

  - Their turnover is equal to or greater than two million euros.

  - Their own funds are equal to or greater than 300,000 euros.

- Those natural persons who demonstrate compliance with these two conditions:

  - Annual income greater than 50,000 euros or net assets greater than 100,000 euros.

  - Prior request to be considered as accredited investor expressly waiving treatment as non-accredited investor.

- In the case of investments in bonds or equity instruments, accredited investors will be those natural or legal persons who demonstrate that they have contracted a financial advisory service from an authorised company.

All other investors will be considered as non-accredited. For these investors, limits are set to their operations in PFPs. In particular, the maximum amount which they may commit to a project published on a platform is 3,000 euros, while the maximum quantity invested in different projects on one single platform in a period of 12 months is limited to 10,000 euros. In addition, these investors are required to declare to the PFPs that the sum of the investments made in this type of platform over the last 12 months does not exceed 10,000 euros.

Given that it is essential for investors to be aware of the limited protection which this type of financial environment can offer them, PFPs must warn them, by means of a communication sent prior to their participation in a crowdfunding project, of the possibility of losing all or part of the money invested, as well as the absence of coverage by the Deposit Guarantee Fund or the Investment Guarantee Fund. They must also warn them that neither the projects nor the issues of securities are authorised and supervised by the Bank of Spain or by the CNMV and that neither has the information provided by the owners been reviewed by these bodies. There must be a documentary record of the investors' acceptance, as the case may be, of these conditions.

6 Conclusions

Even though crowdfunding has still not reached volumes comparable with those of other sources of finance, it has undergone significant growth over recent years, which has been driven by the economic crisis, the restriction of credit and advances in the use of new technologies. Different sources, including the European Commission, indicate that it might play an essential role as a supplement to traditional sources of finance, particularly for companies in the first stages of development and for small-sized projects with a high level of risk and funding difficulties, or even for projects initiated by individuals.

Nevertheless, there are significant risks associated with this activity which should be adequately known by all participants. The absence of sufficient information is a distorting factor which makes it difficult to adopt appropriate decisions. If crowdfunding is to be promoted, it will be necessary, firstly, to eliminate the uncertainty associated with this activity, setting its scope and clearly defining the applicable legal framework, as well as the functions and responsibilities of all the participants. Transparency in funding activities increases the confidence of investors and helps to create a perception of greater security, which would be beneficial for attracting new participants.

Taking into account the current context of growing complexity and variety of investments, as is the case in other areas of financial markets, it would be recommendable to promote educational initiatives which allow potential investors to have all the information necessary to understand the nature and risks of this activity and to be able to adopt investment decisions which better match their interests.

In the European Union there is currently no common approach about the need and, where appropriate, the characteristics of a regulatory framework for these activities. Some countries, such as France, Italy and the United Kingdom, have recently introduced a framework of this type and it is therefore too soon to evaluate their repercussions, although the platforms established in those countries seem to have rated their approval positively.

The regulation introduced in these countries contains less strict requirements than those established in EU law for other authorised financial intermediaries. However, as these are domestic laws which are not harmonised in the European Union, they only allow the platforms to operate in their respective Member States, which introduces significant limits, above all for larger platforms which might be interested in acting on a cross-border basis.

Consequently, ESMA, in a document from last year drawn up following a mandate to give advice to the European Commission[33], which analyses the current legislative framework and whether it matches the risks associated with crowdfunding, suggests that the competent authorities and legislators of Member States should assess the possibility of developing a harmonised regime throughout the EU.

Spain has also decided to regulate crowdfunding, particularly crowdfunding platforms aimed at funding educational, business or consumer projects. This initiative has been channelled through the Draft Law Promoting Business Financing, which was approved in October last year by the Council of Ministers and which is currently in the stage of its passage through Parliament. Among other noteworthy aspects, it establishes the distinction between accredited investors, who must comply with certain conditions, and non-accredited investors, with significant limits for their participation in the funding activities organised by the platforms.

33 See Note 19.

Identification of vulnerabilities in the Spanish financial system: An application of heat maps

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1 Introduction

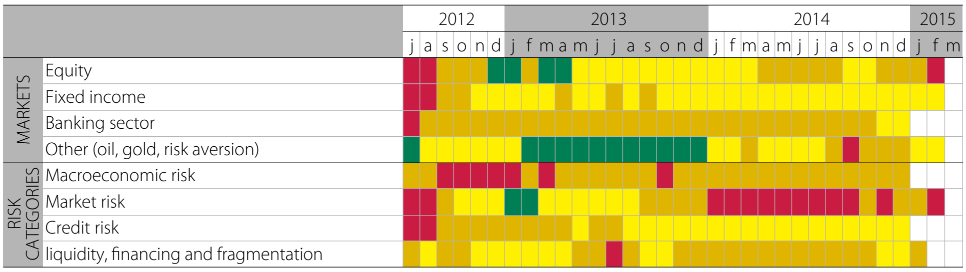
Heat maps have become one of the most often used tools since the start of the recent crisis for identifying economic and financial vulnerabilities. Their main virtues are that they are relatively simple to calculate and particularly easy to interpret based on their colour code.

This article presents some heat maps which show the monthly development of the most important indicators of the Spanish financial system over recent years. They contain information about Spanish securities markets, the banking sector and, in addition, some macro-economic variables. The main aim behind drawing up these maps is to provide an idea of the position of benchmark indicators with regard to their recent history or with regard to certain predetermined limits by associating this position with a specific colour. The evolution of an indicator from green up to warmer colours (orange or red) does not necessarily imply the existence of a risk, but simply a movement towards an extreme value (very high or very low) in the period or in the range of values used as a benchmark. An indicator remaining at extreme values over a prolonged period may suggest the need for a more in-depth analysis, in other words, it might be interpreted as a warning signal.

The multitude of indicators which have been taken into consideration allow us to perform a vulnerability analysis for each segment of the financial markets (equity, fixed income, banking sector, etc.) or for different risk categories (macro, market, liquidity, credit, etc.), as shown in Figure 1. This article presents a summary of some of the heat maps which the CNMV uses in its analysis work and presents the most significant features of the methodology applied[1]. It also presents an application of these maps to the analysis of the recent evolution of macro-financial vulnerability in Spain.

1 The heat maps in this article are inspired by the methodology used by the European Systemic Risk Board (ESRB) in its analyses. However, numerous institutions have developed their own maps over recent years. See for example Chapter 1 of the IMF Global Financial Stability Report (GFSR) published in April 2009.

Heat map by market type and risk category FIGURE 1



Source: CNMV.

2 Methodology

Selection of blocks and colours

The indicators making up the heat maps may be classified according to the segment of the financial system to which they belong or according to a risk category, as indicated above. The indicators in this section have been grouped into blocks based on the supervisory structure of the Spanish financial system. However, in the third section, which presents an application of the maps to analyse the macro-financial evolution of Spain since 2012, it has been decided to classify the indicators based on the most typical financial risk categories. At any event, both criteria are complementary when analysing and identifying vulnerabilities in the financial system.

The financial system indicators used are therefore related to the areas of competence of the CNMV (equity and fixed income) and of the Bank of Spain (banking sector). We use two other blocks of indicators: one relating to the Spanish macro-economic environment and another of a varied nature which includes commodity prices, risk aversion indicators or indicators based on price correlations, among other indicators which are relevant for the analysis.

Four colours have been used to represent the evolution of the indicator on the map: green, yellow, orange and red. Green means that the value of the indicator is close to its median level[2] with regard to its recent history[3], i.e. close to the most usual values. As the value of the indicator moves away from this usual behaviour, the assigned colour moves towards yellow, orange and red. When an indicator is represented in red, we should interpret that its value is very far from the median, in other words, it is at maximum or minimum levels with regard to the benchmark period.

2 Do not confuse values close to the medium with values close to the mean or the mode, which are other types of average. The median of a distribution corresponds to the value which leaves 50% of the data on each side.

3 Generally three years, although the whole history has been used in some indicators.

The colour therefore provides an idea of the position of an indicator with regard to its history, but it does not evaluate the bands in which it should move. Based on the colours of each indicator, scores are assigned to the blocks and variables analysed both depending on the financial system segments and the risk categories (see Figure 1). In addition, the maps may include downward or upward arrows, which indicate the direction in which the indicator has moved (towards values that are lower or higher than the median).

Selection of indicators

In order to draw up the maps a total of 42 indicators were selected representing macro-economic and financial development in Spain. In most of them, the information is obtained from commercial databases, although series prepared by the CNMV have also been used. There is a wide range of original sources: Bank of Spain, National Institute of Statistics, European Central Bank, Ministry of the Economy, Ministry of Housing, Bolsas y Mercados Españoles (operator of all stock markets and financial systems in Spain), CNMV, etc. The frequency chosen is the greatest possible in order to facilitate a thorough analysis of the data. In this regard, while most of the data relating to financial markets is offered daily, other series are only available with a monthly or quarterly frequency.

The indicators used are as follows:

- Macro Spain:
  - Annual change in Gross Domestic Product (GDP).
  - Unemployment rate (as proportion of active population).
  - Annual change in the Consumer Price Index.
  - Public deficit (% GDP).
  - Public debt (% GDP).
  - Annual change in property prices.
  - Annual change in lending to private sectors of the economy (households and companies).
  - Competitiveness indicator.
  - Economic sentiment index.
- Equity:
  - Equity price indices: Ibex 35, Small Caps, Medium Caps and Latibex.
  - Volatility of the Ibex 35.

- Liquidity of the Ibex 35.
- Price-to-earnings ratio of the Ibex 35.
- Equity trading on the SIBE (Spanish Stock Market Interconnection System).
- Equity issues registered with the CNMV.

· Fixed income:

- Short-term (three month) and long-term (ten year) interest rates of Spanish public debt.
- Interest rates of (three-month) commercial paper[4] and of long-term (ten-year) Spanish private fixed income.
- Volatility of the price of the long-term government bond.
- Steepness of the interest rate curve (ten years less one year).
- Spread of interest rates between the Spanish Government ten-year bond and the German Government ten-year bond.
- Five-year CDS (Credit Default Swap) of the sovereign Spanish bond.
- Average of the five-year CDS of financial institutions.
- Average of the five-year CDS of non-financial companies.
- Gross fixed-income issues registered with the CNMV.

• Banking sector:

- LIBOR-OIS spread (three months) on the interbank market.
- Net lending of the Eurosystem to Spanish credit institutions.
- Change of standards in the supply of bank credit.
- Interest rate spread on loans granted to companies in Spain and in the Eurozone (less then 1 million euros).
- Interest rate spread on loans granted to companies in Spain and in the Eurozone (over 1 million euros).
- Ratio of outstanding balance of credit to other resident sectors over deposits.
- NPL (non-performing loan) ratio of the banking sector.

4 Interest rates at the time of issue.

- Other indicators of interest:
  - Correlation between the interest rate of the ten-year Spanish Government bond and those of the European core (Germany, France, Holland and Belgium).
  - Correlation between the interest rate of the ten-year Spanish Government bond and those of the European periphery (Italy, Portugal, Greece and Ireland).
  - Commodity prices (gold, oil).
  - Risk aversion indicator (State Street).

Definition of thresholds

Two types of threshold have been defined in order to assign the colours: dynamic thresholds, based on calculating the indicator's percentiles and predetermined thresholds, based on fixed values. In general, the former have been used. The latter are only used when the fact of exceeding them can be interpreted as a fairly clear warning sign. In practice, dynamic thresholds have been used in the series relating to financial markets and fixed thresholds in the macro block, in banking and in indicators relating to risk premiums.

As indicated, dynamic thresholds are based on the calculation of the percentiles within the history of each indicator. These are generally calculated using information from the last three years, although in some cases it has been considered more appropriate to include a more extensive history. For each month, a daily calculation is made of the position of the variable with regard to the data for the last three years (or of a longer period) and the monthly average is calculated. The difficulty in pre-establishing suitable ranges for the variables relating to financial markets means that this approach is more appropriate.

Table 1 provides a summary of the calculation method for the heat map. For each indicator, as well as describing the unit of measure of the variable, the unit of measure applicable to the threshold (benchmark) and the intervals delimiting the use of each colour are provided. As shown in the table, most indicators relating to securities markets (equity, fixed income and others) use dynamic thresholds based on percentile calculations. Predetermined thresholds (percentage of GDP, basis points, etc.) are applied for the other indicators.

In general, the two tails of the indicator's distribution have been used to define the warning zones (in red), in the understanding that both very high and very low values may provide a warning sign. For example, in the equity block, the warning zone is determined by the first and last decile in almost every case. However, within this block this criterion is not applied to volatility and liquidity indicators as it is believed that in this case only the last decile (very high values) should be considered.

Table 1 shows that when two tails are used in the dynamic approach, the warning zones always correspond to the first and last decile. Similarly, when only one tail is used, the warning sign is always given by one single decile, in this case the last decile. The limits of the colour intervals for the indicators with percentile calculations of two tails are similar to each other, as is the case of the interval limits of the percentiles of one tail. This guarantees a certain level of standardisation in criteria when performing the analysis.

With regard to the predetermined thresholds, the values established for the fiscal variables (public deficit and public debt) of the macro block in Table 1 are partially based on the limits which ensure the stability of the Economic and Monetary Union (EMU). Accordingly, taking into account that the procedure for excessive deficits starts from when the public deficit exceeds 3% of GDP, it seems reasonable to use this threshold to mark the start of the warning zone in this variable. In the case of public debt, to the extent that one of the convergence criteria for access to the EMU was having public debt close to 60% of GDP, this level has been taken as the benchmark for setting a limit for the green region of this variable.

In other cases for which there is no such clear external benchmark, criteria have been chosen based on the analysts' past experience in order to set reasonable thresholds. Accordingly, for example, it is been estimated that a fall in GDP greater than 2% or an NPL ratio of the banking sector above 10% should be associated with the use of the colour red.

Classification of indicators and definition of colour thresholds

TABLE 1

Indicator (Unit)	Benchmark unit	Red ⇩	Orange ⇩	Yellow ⇩	Green	Yellow ⇧	Orange ⇧	Red ⇧
MACRO SPAIN								
GDP (% a. c.)	%	<-2	[-2, 0)	[0, 2)	>=2			
Unemp. rate (% active population).	%				[0, 12)	[12, 15)	[15, 18)	>=18
CPI (% a. c.)	%	<-1	[-1, 0)	[0, 1)	[1, 2)	[2, 3)	[3, 4)	>=4
Public deficit (% GDP)	% GDP				<0	[0, 1.5)	[1.5, 3)	>=3
Public debt (% GDP)	% GDP				[0, 60)	[60, 80)	[80, 100)	>=100
Property prices (% a. c.)	%	<-10	[-10, -5)	[-5, 0)	[0, 5)	[5, 10)	[10, 15)	>=15
Lending-households (% a. c.)	%	<-5	[-5, -2.5)	[-2.5, 0)	[0, 10)	[10, 15)	[15, 20)	>=20
Lending-non-financial companies (% a. c.)	%	<-5	[-5, -2.5)	[-2.5, 0)	[0, 10)	[10, 15)	[15, 20)	>=20
Competitiveness indicator	Index	<90	[90, 92.5)	[92.5, 95)	[95, 105)	[105,107.5)	[107.5,110)	>=110
Economic sentiment index	Index	<80	[80, 90)	[90, 100)	>=100			
EQUITIES								
Ibex 35	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
Medium Caps Index	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
Small Caps Index	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
FTSE Latibex All-Share Index	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
Volatility Ibex 35 (%)	percentiles				[0, 60)	[60, 75)	[75, 90)	[90, 100]
P/E Ratio Ibex 35	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
Bid-ask spread Ibex 35 (%)	percentiles				[0, 60)	[60, 75)	[75, 90)	[90, 100]
Trading SIBE[1] (daily average € m)	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
Equity issues[2] (€ m)	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
FIXED INCOME								
ST interest rate 3m public debt (%)	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
Interest rates 3m commercial paper (%)	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
LT interest rate 10Y public debt (%)	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
Volatility public debt price (%)	percentiles				[0, 60)	[60, 75)	[75, 90)	[90, 100]
LT 10Y private fixed-income interest rate (%)	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
Steepness of 10Y-1Y curve (bp)	bp				[0, 200)	[200, 300)	[300, 400)	>=400
Risk premium sovereign debt bond (bp)	bp				[0, 200)	[200, 300)	[300, 400)	>=400
CDS sovereign debt bond (bp)	bp				[0, 200)	[200, 300)	[300, 400)	>=400
CDS non-financial sector (bp)	bp				[0, 300)	[300, 400)	[400, 500)	>=500
CDS financial sector (bp)	bp				[0, 300)	[300, 400)	[400, 500)	>=500
Gross fixed-income issues[2] (€ m)	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
BANKING SECTOR								
Interbank spread (LIBOR-OIS) 3m (bp)	percentiles				[0, 60)	[60, 75)	[75, 90)	[90, 100]
Lending from the Eurosystem (€ m)	billions				[0, 100)	[100, 150)	[150, 200)	>=200
Changes standards credit supply (%)	%	<-40	[-40, -20)	[-20, 0)	0	(0, 20)	[20, 40)	>= 40
Spr. int. rt. bus. cred. Sp-EMU, < 1 m (%)	percentages				[0, 0.5)	[0.5, 0.75)	[0.75, 1)	>=1
Spr. int. rt. bus. cred. Sp-EMU, > 1 m (%)	percentages				[0, 0.5)	[0.5, 0.75)	[0.75, 1)	>=1
Credit/deposits ratio	%	<0.80	[0.80, 0.85)	[0.85, 0.90)	[0.90, 1.10)	[1.10, 1.15)	[1.15, 1.20)	>=1.20
NPL ratio (%)	%				[0, 4)	[4, 7)	[7, 10)	>=10
OTHER								
Correlation int. rate 10Y public-debt bond								
with Euro. bonds: Germ, Fr, Holl, Bel.	percentages	[-1, -0.8)	[-0.8, -0.6)	[-0.6, -0.4)	[-0.4, 0.4)	[0.4, 0.6)	[0.6, 0.8)	[0.8, 1]
with Euro. bonds: It, Por, Gre, Ire	percentages	[-1, -0.8)	[-0.8, -0.6)	[-0.6, -0.4)	[-0.4, 0.4)	[0.4, 0.6)	[0.6, 0.8)	[0.8, 1]
Oil price (US$/barrel)	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
Gold price (US$, 31/12/1969 = 100)	percentiles	[0, 10)	[10, 20)	[20, 30)	[30, 60)	[60, 75)	[75, 90)	[90, 100]
Risk aversion indicator[3]	deviation[4]	<-30	[-30, -20)	[-20, -10)	[-10, 10)	[10, 20)	[20, 30)	>=30

Source: CNMV.

1 SIBE (Spanish Stock Market Interconnection System).

2 Registered with the CNMV.

3 State Street indicator.

4 Calculated using the original series, from which 100 has been subtracted.

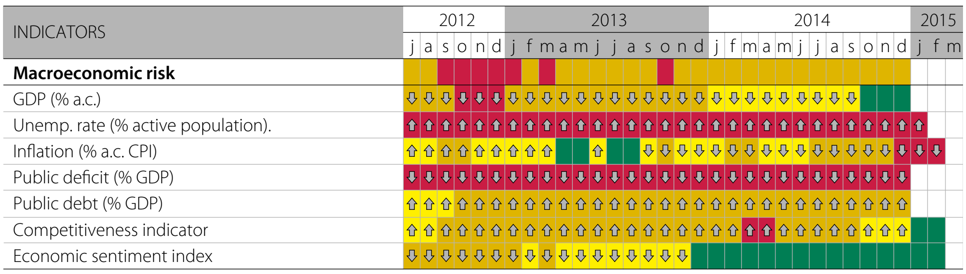
3 Application of heat maps to evaluation of the level of vulnerability of the Spanish financial system since 2012

As explained in the introduction to this article, designing heat maps allows us to identify vulnerabilities in the financial system either by segment (or market) or by risk category.

Figure 1 illustrates the monthly evolution of these aggregates since 2012. As can be seen, the map suggests that in the middle of that year the level of vulnerability in the Spanish financial system was very high in practically every market and risk category under consideration. The perceived macro-economic risk was also high as a consequence of the sharp fall in production and worsening of the job market and government accounts. This period coincides with the request for financial assistance for Spanish banks and a second ban on short selling adopted by the CNMV. Since then, the improvement in the Spanish economy and the recovery in the confidence of market agents and participants has led to many of the indicators under consideration returning to normal levels. In general terms, the level of vulnerability of the Spanish economy and the financial system as a whole has fallen significantly. The only noteworthy change in the opposite direction was the significant increase in market risk in 2014 as a consequence of across-the-board price rises for many assets against a backdrop of low interest rates. Below is an evaluation of the heat maps depending on risk category, with special emphasis on the indicators' most recent trends.

The indicators making up the macroeconomic block (see Figure 2) show an improvement in those indicators relating to economic activity (GDP grew at 2% in the fourth quarter of 2014) and to confidence indices. On the other hand, the variables relating to the job market, where the unemployment rate stands at around 24% of the active population, and to government accounts, where the balance of public debt stands at 100% of GDP and the deficit exceeds 5% of GDP, suggest a level of vulnerability which remains high. In general terms, the macro-economic risk in Spain remains high, although it has improved notably with regard to the situation at the end of 2012.

Macro-economic risk: breakdown of indicators[1] FIGURE 2

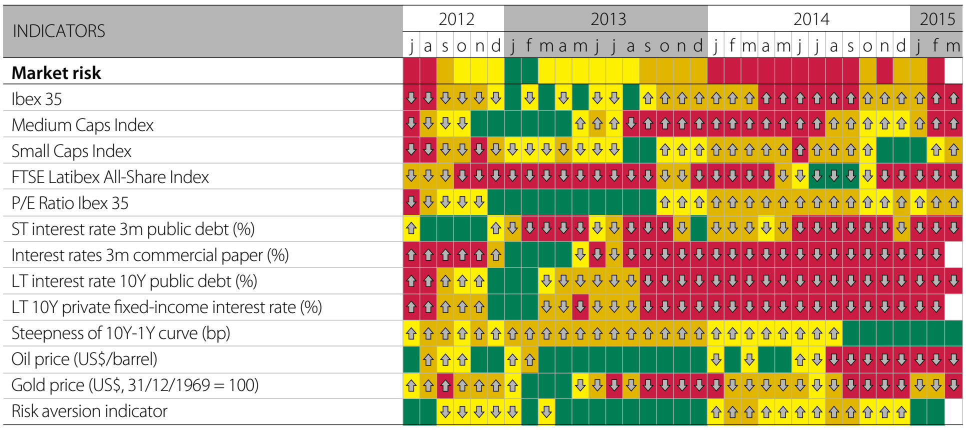


Source: CNMV.

1 The colour assigned to the public deficit in 4Q14 has been decided based on the average figure expected by analysts.

According to the heat maps, the risk which showed the most worrying evolution in 2014 was market risk, although it tended to subside in the last few months of the year. As shown by the indicators making up this risk category (see Figure 3), the prices of most equity assets (including the components of the Ibex 35 and the Ibex Medium Caps), as well as those of many debt instruments (see the minimal levels of return), reached highs of recent years in 2014. To a lesser extent, the increase in market risk was also due to the fall in the price of some commodities, in particular the price of oil in the second half of the year. The falls in stock market prices in the last few weeks of the year, associated with various factors of uncertainty (on economic activity, the monetary policy of the ECB, instability in Greece and Russia, among others), temporarily reduced market risk in equity assets. It remains high in fixed income, especially in some segments.

Market risk: breakdown of indicators FIGURE 3



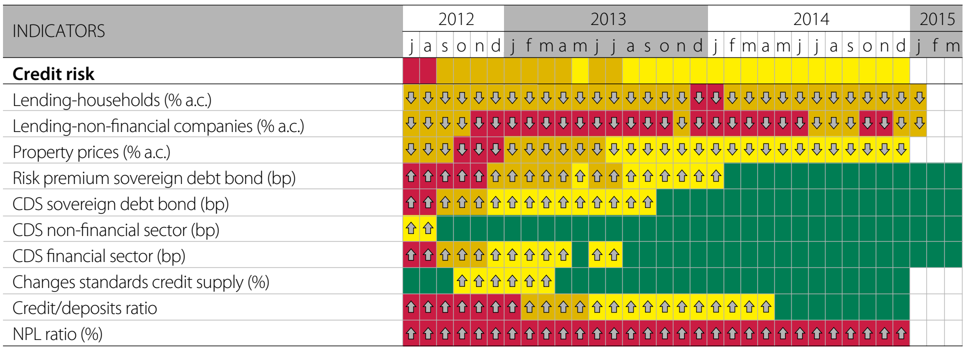
Source: CNMV.

The credit risk indicators show that this risk has fallen slightly, mainly as a result of the sharp fall in the risk premiums of different agents of the Spanish economy. As shown in Figure 4, the risk premiums both of the public and of the private sector (financial and non-financial) started to fall in the second half of 2012 and are currently at very low levels[5]. Their most recent evolution has not been affected by the political and economic uncertainty generated in Greece unlike in other previous periods of instability in the context of the European sovereign debt crisis. The main elements of vulnerability would currently be associated with the fall in the balance of credit, although the downward trend is levelling out, and the high level of non-performing loans of banks, which remains above 12%.

5 It is important to rememb\er that the colour assigned to risk premiums is based on fixed thresholds and, therefore, their level at historic minimums does not lead to the colour red (as would be the case if dynamic thresholds were used). The colour green is assigned to the risk premiums of public debt below 200 bp and the risk premiums of the private sector below 300 bp (see Table 1).

Credit risk: Breakdown of indicators

FIGURE 4

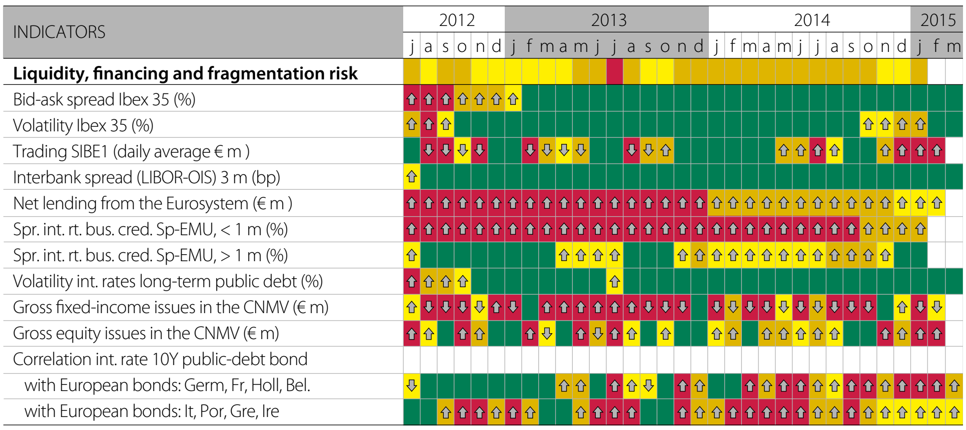


Source: CNMV.

Finally, the set of indicators within the category of liquidity, financing and fragmentation risk suggested these risks have fallen significantly in 2014, particularly due to the fall in the level of fragmentation in financial markets in Europe. In this map, fragmentation is shown through the spread between the interest rates of lending to companies in Spain and in the Eurozone, bearing in mind the size of the lending. This spread, which exceeded 150 bp in lending of lower than 1 million euros in the middle of 2013, has progressively fallen over recent months. In the case of larger lending, this spread stood at values lower than 50 bp at the end of 2014. For their part, liquidity and volatility conditions in markets remained at satisfactory levels. With regard to issues of financial instruments, there have been opposing trends between fixed-income instruments (downwards) and equity instruments (upwards). It is also important to indicate the high correlation between the interest rate of government bonds in Spain and that of government bonds of more solid European economies.

Liquidity, financing and fragmentation risk: Breakdown of indicators

FIGURE 5



Source: CNMV.

4 Conclusions

The usefulness of heat maps as instruments for identifying economic and financial vulnerabilities has been demonstrated over the recent international recession. Over these years, supervisors, authorities and other institutions have designed various types of graphic representations which facilitate risk analysis, monitoring and management. This article has presented a simple version of some heat maps used by the CNMV when analysing the Spanish macro-financial environment, highlighting the most recent trends observed for each one of the activity segments of the financial system and the most important risk categories, whilst also taking into consideration the features of the macro-economic environment.

The application of these maps to an analysis of the recent evolution of the macro-financial indicators under consideration suggests that there has been a significant reduction in the level of economic and financial vulnerability in Spain since the second half of 2012, although they do show, as in other European countries, an increase in market risk in some financial instruments over 2014.

Comparison of the return of fixed-income funds with a specific target return and guaranteed fixed-income funds

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1 Introduction

Funds with a specific target return are those which fully or partially guarantee the invested capital together with the receipt of a fixed or variable return, in the latter case linked to the evolution of other assets.

In line with the conservative profile characterising Spanish retail investors, guaranteed funds are the most demanded category of funds by investors. However, since 2013 we can see a growing trend towards replacing them with other funds which do not have a guarantee, but which also aim for a specific target return. The cost associated with providing the guarantee and the need to continue launching funds which can compete with the return offered by other financial products that are perceived as low-risk, particularly deposits, have encouraged this trend.

The risk associated with both types of funds is different. On 12 July 2013, the CNMV published a series of preventative measures aimed at strengthening transparency in the marketing of funds with a specific target return on its website. The aim was to minimise the risks which might result for investors from the transformation from guaranteed funds to non-guaranteed funds.

This article presents the results of an exercise comparing the returns offered to unit-holders in each type of fund, together with the return of another benchmark asset. Although most funds with a non-guaranteed specific target return are relatively recent, the information available now allows us to perform a preliminary analysis of this issue which is of clear interest for investors.

The exercise focuses on funds targeting a fixed return as these account for most of the funds with a specific target return. The analysis addresses both the return for the unit-holder (net return) and the gross return. The difference between these is down to the management and deposit fees applied, which, as will be seen, account for a significant proportion of the gross return.

The analysis is conducted on a sample made up of collective investment schemes of the type indicated (guaranteed and non-guaranteed funds targeting fixed returns), whose strategies for achieving the announced target return had not expired by January 2014. The specific objectives are as follows:

1. To determine whether the return offered by these funds is greater than the return that unit-holders would have obtained if they had invested in Spanish public debt with the same term (Sections 3 and 4).

2. To verify whether the non-guaranteed fixed-return funds (hereinafter, NGFRFs) offer higher returns than comparable funds which do have a guarantee (hereinafter, GFRFs). Specifically, a comparison is made between the funds of both categories launched in similar periods and with the same maturity term, which will make it possible to analyse whether investors obtain compensation for not enjoying a guarantee (Section 5).

3. To compare the fees of NGFRFs with those of GFRFs. The fees in force in January 2014, including both the management and the deposit fee, were used for this comparison (also in Section 5).

The aforementioned analyses follow a brief section with data of interest on the recent development of the funds under consideration and a summary of the features of the sample and the methodology used (Section 2). The article closes with the conclusions.

2 Recent development of guaranteed funds, features of the sample and methodology

As indicated, guaranteed funds, and in particular fixed-return guaranteed funds, are the category of funds which has traditionally concentrated the highest amount of assets. Table 1 shows how their relative weighting in funds' total assets has developed over the last four years.

Assets of guaranteed funds: Percentage over total assets of mutual funds TABLE 1

	2011	2012	2013	30/06/2014
GVRF[1]	14.3	12.6	8.2	7.1
GFRF[2]	27.3	29.1	20.7	14.0
GVRF+GFRF	41.6	41.7	28.9	21.1
Pro-memoria: Assets in million euros				
GVRF+GFRF	53,253	50,995	44,397	37,829
Total funds	127,772	122,328	153,834	179,124

Source: CNMV.

1 Guaranteed variable-return funds.

2 Guaranteed fixed-return funds.

As shown in Table 1, as from 2013 there was a significant fall in the assets and the relative importance of guaranteed funds in the industry, although both these aspects remain significant. A major part of the fall was the result of investors replacing guaranteed funds with non-guaranteed funds with a specific target return in their portfolios.

The replacement was particularly sharp in 2014 (see Table 2), driven by low interest rates and the active marketing of new products by the industry. Table 2 also shows that, within non-guaranteed funds with a specific target return, the change benefit-ed both variable-return funds (NGVRFs) and fixed-return funds, although the proportion of the latter is significantly higher.

Assets of guaranteed funds and funds with a non-guaranteed specific target return: Recent trend TABLE 2

Amount in million euros

	01/01/2014	30/09/2014	Var.	Var. (%)
GVRV+GFL[1]	12,515	12,285	-229	-1.8
GFRF[2]	29,625	23,298	-6,326	-21.4
Total GVRV+GFL+GFRF	42,140	35,583	-6,557	-15.6
NGVRV[3]	990	2,838	1,848	186.6
NGFRF[4]	15,697	19,386	3,689	23.5
Total NGVRV+NGFRF	16,687	22,224	5,537	33.2

Source: CNMV.

1 Guaranteed variable-return funds plus guaranteed funds with target return with limited loss.

2 Guaranteed fixed-return funds.

3 Non-guaranteed variable-return funds with target return.

4 Non-guaranteed fixed-return funds with target return.

As indicated, the study has analysed all the funds with target fixed returns whose strategies were pending maturity on 31 January 2014. In total, the analysed sample contains 144 units issued by NGFRFs and 195 issued by GFRFs[1].

After obtaining the sample, a comparison was made between the AER offered by each fund with the return of public debt in the primary market at a similar term to that of their strategy on the fund's launch date. In order to calculate the return of public debt, the maturities are grouped into tranches of 0.5 years. For example, if a fund began its strategy in February 2013 for a period of 3.5 years, the AER offered in the prospectus is compared with the return of Spanish 3.5-year public debt issued in February 2013, which is obtained by interpolation of the three-year and the four-year debt.

Both types of funds are also compared with each other. For this purpose, the sample is divided into groups of funds characterised by a similar launch date and period to maturity of the return strategy according to the criteria specified in Section 5.

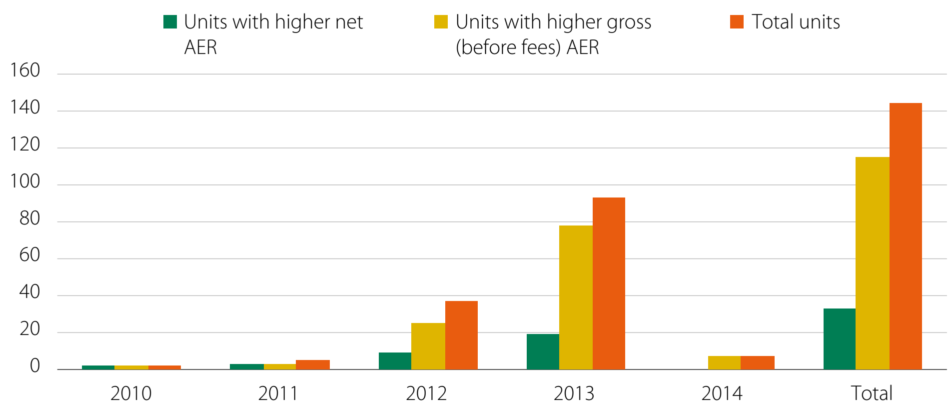
1 Some funds issue more than one class of unit.

3 Non-guaranteed specific target fixed-return funds

Of the 144 units of the analysed funds, only 33 (22.9% of the total) offer a net AER for the unit-holder higher than the return of public debt at a comparable term. With regard to the AER before fees (gross AER), the number of units exceeding this return is much higher, specifically 115 (79.9%).

Figure 1 offers a breakdown of the result of the comparison according to the launch year of the funds.

Number of units of NGFRF with AER (in prospectus) higher than the return of public debt at the same term FIGURE 1



Source: CNMV.

– 2010: The only fund launched in this year with a strategy in force in January 2014 offered, in its two classes of unit, a net AER much higher than the rate of public debt at the same term. This was due to the fact that the fund invested in assets which had a higher credit risk than Spanish public debt, mainly private fixed-income of emerging countries with average and low credit quality.

– 2011: Of the five units launched in this year included in the sample, three offered a net AER higher than public debt at the same term. Again, these higher returns are explained by the portfolio which these funds invested in, essentially private fixed income. Similarly, only these three units exceeded the return of public debt considering the AER before fees.

– 2012 and 2013: These are the years which have the highest representation in the sample (37 and 93 classes of unit, respectively). In 2012, only 24% of the total (nine units) offered a net AER higher than that of public debt. This percentage was even lower in 2013, specifically 20% (19 units). With regard to gross AER, the percentages rise to 68% (25 units) and 84% (78), respectively.

– 2014: Of the seven units launched in the year analysed in the sample, none of them offer returns to the investor higher than public debt at the same term. However, the AER before fees is higher in all of them.

From these results we can deduce that most NGFRFs invest in portfolios with a higher risk than Spanish public debt, although the return offered to the unit-holder is below that obtained by the debt, due to the impact of the fees applied.

The descriptive analysis of the fees provides the following results:

– The average fees applied to NGFRFs stand at 0.86% per year. 44% of the funds apply fees above this average.

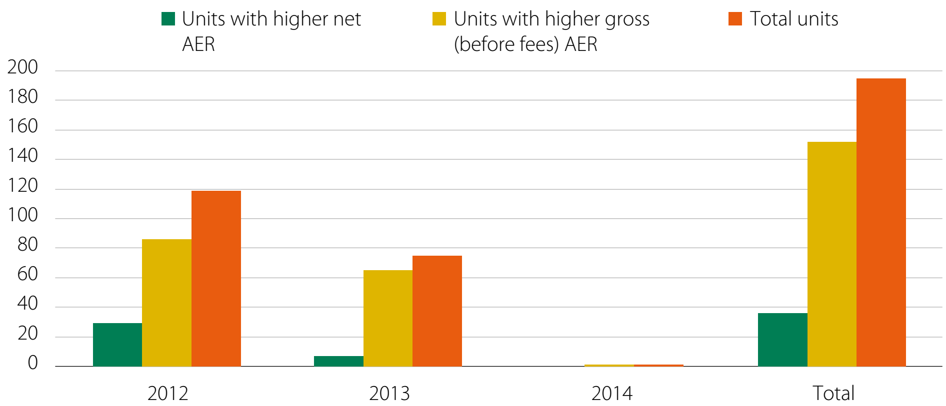
– On average, fees account for 24% of the gross AER of the underlying portfolio. 48% of funds are above this average.

4 Guaranteed fixed-income fund

Of the total units issued by GFRFs analysed (195), only 36 (18.5% of the total) offered a net AER higher than the return of Spanish public debt at the same term. This number is much higher in the case of the AER before fees, as was the case with NGFRFs; specifically, a total of 152 units (77.9%) have a gross AER higher than the return of public debt.

Figure 2 illustrates the breakdown, by launch year, of the number of GFRF which exceed the return of public debt. In this case, the sample only includes funds launched as from 2012 as previously there were no GFRFs with a strategy in force at 31 January 2014.

Number of units of GFRF with AER (in prospectus) higher than the return of public debt at the same term FIGURE 2



Source: CNMV.

– 2012: Only 24.4% of the units issued in said year and included in the sample (29 out of 119) offered a higher AER than public debt. This percentage stood at 72.3% (86 units) if we consider gross AER.

– 2013: In terms of net AER, the percentage is even lower than in 2012, specifically 9.3% (7 out of 75 units). It rises to 86.7% (65 units) for AER before fees.

– 2014: The sample includes one single GFRF launched this year; its net AER was lower than the return on public debt, but the gross AER was higher.

Consequently, in the case of GFRFs we can also see that a large majority of funds opt for investment strategies with a higher level of risk than that inherent to public debt, although the return for investors is lower than that which they could have obtained at similar terms to this instrument due to the fees charged to the fund.

The analysis of the fees applied provides the following results:

– The average fees applied to guaranteed fixed-income funds stand at 1.08% per year, clearly above the average obtained in the sub-sample of NGFRFs. 43.6% of the funds applied fees above this average.

– On average, fees account for 27.1% of gross AER. 42% of funds are above this average.

5 Comparison of returns between NGFRF and GFRF

The last two sections have shown that the percentage of units included in the sample in which the AER offered is higher than the return of public debt is higher in NGFRFs than in GFRFs, both relating to net AER (23.6% against 18.5%) and in gross AER, although in this case the difference is lower (79.9% compared with 77.9%). However, we can also see that the average AER of GFRFs is higher: 2.92% compared with 2.74% for NGFRFs, in the case of net AER, and 3.99% compared with 3.59% in the case of gross AER.

This section contains a more precise comparison between the two types of funds, taking into consideration the launch date and the term to maturity of the strategy. For this purpose, the NGFRFs and GFRFs included in the sample have been grouped into blocks with similar terms (durations) and launch dates. Specifically, in order to facilitate the definition of the groups, the duration of the strategy has been rounded up or down into half-year periods and, within each of them, a comparison is made of the registered funds with a maximum difference of three months. Due to the second requirement, some funds are excluded from the comparison.

The results of the analysis based on these criteria are summarised in Table 3. There are 19 groups (see Note 1 of this table), which has made it possible to perform a total of 274 individual comparisons between NGFRFs and GFRFs with a similar duration of the return strategy and the launch date (Note 2 of Table 3).

We can see that the average AER of the NGFRFs is higher than that of GFRFs in most of the groups, clearly in the case of net AER (68.4% of the groups), and with a much narrower majority in the case of gross AER (52.6%). The individual comparisons between funds corroborate this result. The AER offered to unit-holders is higher in the case of non-guaranteed funds with a specific target return in 59.1% of the comparisons, while the gross AER is higher in only half of the cases.

Comparison between NGFRF and GFRF grouped by launch date and duration of return strategy: Net and gross AER TABLE 3

	Net AER		Gross AER	
	Number	%	Number	%
Comparison of average AER within each group (number of groups) [1]				
NGVRF > GFRF	13	68.4	10	52.6
NGFRF < GFRF	5	26.3	9	47.4
NGFRF = GFRF	1	5.3	0	0.0
Total	19	100.0	19	100.0
Comparison of individual AER within each group (number of comparisons)[2]				
NGFRF > GFRF	162	59.1	137	50.0
NGFRF < GFRF	97	35.4	133	49.0
NGFRF = GFRF	15	5.5	4	1.0
Total	274	100.0	274	100.0

Source: CNMV.

1 The following groups have been considered according to the duration of the strategy (in brackets, the number of groups with that duration): 1 year (1), 2 years (3), 2.5 years (2), 3 years (2), 3.5 years (3), 4 years (2), 4.5 years (3) and 5 years (3).

2 The number of individual comparisons within each one of the groups considered is as follows (in brackets): 1 year (1), 2 years (9), 2.5 years (9), 3 years (46), 3.5 years (24), 4 years (64), 4.5 years (67) and 5 years (54).

Consequently, the results in terms of gross returns suggests that there is no significant difference between the portfolios of the two types of funds in terms of risk and return and that the higher AER (after fees) offered by NGFRFs with regard to that of GFRFs comes from the fact that the former apply lower fees (see the reference to fees in Sections 3 and 4). The comparison of these funds using the group criteria indicated above corroborates this explanation. Specifically, of the 19 groups considered, in only six of them were the fees of the NGFRFs higher than those of the GFRFs.

6 Conclusions

1. Both non-guaranteed funds with a target fixed return (NGFRFs) and guaranteed fixed-income funds (GFRFs) mostly offer a net AER for the unit-holder below the return of Spanish public debt at the same term (a substitute asset, without taking into account tax considerations). In particular, out of 144 NGFRFs, only 33 (22.9%) offer a higher AER than public debt. In the case of GFRFs, this falls to 36 (18.5%) out of the 195 included in the sample.

2. If we consider gross AER (AER before fees), both most NGFRFs and most GFRFs offer higher returns than those offered by public debt. Specifically, 115 NGFRFs (79.9%) and 152 GFRFs (77.9%) offer higher returns. Since the higher gross return obtained by these funds does not result from active management, we can conclude that, in general, this type of CIS invests in portfolios with a higher risk than public debt and, therefore, with higher returns, although those higher returns are absorbed by the management and deposit fees.

3. GFRFs on average apply higher fees (1.08%) than those of NGFRFs (0.86%). Given that there is no reason why the marketing, management and deposit fees should be higher in a non-guaranteed fund compared with a guaranteed fund, the conclusion is that the difference comes from the guarantee, which has an inherent cost that is passed on to the unit-holder of the guaranteed funds.

4. If we compare guaranteed fixed-income funds with non-guaranteed funds with a similar launch date and term, we can see that in most cases the non-guaranteed funds offer a higher AER than that of guaranteed funds. However, in terms of gross AER. neither of the categories (NGFRFs and GFRFs) stands out as a result of offering higher gross AER. This allows us to conclude that:

   – The participation of a guarantor does not determine the more conservative profile of the portfolio of GFRFs. Both types of funds invest in similar portfolios with regard to the return/risk relationship.

   – The lower AER offered by GFRFs with regard to that offered by NGFRFs is explained by the higher commissions applied to the former, while the higher AER offered by NGFRFs compared with GFRFs is due to the lower commissions applied by NGFRFs.

III Legislative Annex

New legislation since publication of the CNMV bulletin for the fourth quarter of 2014 is as follows:

Spanish legislation

– Order ECC/51/2015, of 22 January, approving the official forms for settlement and self-assessment of fees established by Law 16/2014, of 30 September, regulating CNMV fees.

  Pursuant to the provisions of Law 16/2014, of 30 September, regulating CNMV fees, this Order approves the official forms for settlement, self-assessment and payment of CNMV fees.

  Firstly, it approves the settlement forms, which are included in Annex I of the Order. Specifically, it establishes the forms for the following fees:

  – Fee for examination of documents.

  – Fee for registration of entities and documents.

  – Fee for verification of compliance with marketing requirements.

  – Fee for supervision of solvency requirements and rules of conduct.

  – Fee for supervision of market members.

  – Fee for supervision of markets.

  In addition, it improves the self-assessment form for the fee for issuing certificates, which is included in Annex II of the Order.

– CNMV Resolution of 30 January 2015, establishing the procedure and conditions for payment through entities cooperating in receiving electronic payment of fees applicable for the activities and services provided by the CNMV.

  Pursuant to the provisions of Law 16/2014, of 30 September, and of Order ECC/51/2014, of 22 January, and, in general, Order HAC/729/2003, of 28 March, this resolution aims to establish the procedure and conditions for payment through deposit institutions that provide the service of cooperation in collecting payments mandated by the AEAT (Spanish Tax Agency) and in collecting electronic payment of the fees applicable for services provided by the CNMV.

– Royal Decree 44/2015, of 2 February, regulating the specifications and conditions for the use of the Single Electronic Document (Spanish acronym: DUE) for starting up cooperative societies, civil societies, communities of assets, worker-owned companies and limited liability sole traders through the online processing system.

The aim of Royal Decree 44/2015 is to regulate the specifications and conditions for the use of the Single Electronic Document for the purpose of starting up cooperative societies, civil societies and communities of assets.

In addition, this Royal Decree regulates the specific aspects to be taken into account in using the Single Electronic Document in order to start up companies which adopt the legal form of worker-owned companies and limited liability sole traders.

The scope of application covers cooperatives, civil societies, communities of assets, worker-owned companies and limited liability sole traders. It is important to point out that the real estate, financial and insurance sectors are excluded.

– Royal Decree 83/2015, of 13 February, amending Royal Decree 1082/2012, of 13 July, approving the implementing regulation of Law 35/2003, of 4 November, on collective investment schemes.

This Royal Decree amends Royal Decree 1082/2012, of 13 July, approving the implementing regulation of Law 35/2003, of 4 November, on collective investment schemes, with the aim of completing transposition of Directive 2011/61/EU, of the European Parliament and of the Council, of 8 June, which began in the recently approved Law 12/2014, of 12 November.

The aforementioned Directive 2011/61/EU affects the management companies of non-harmonised collective investment schemes (not authorised in line with Directive 2009/65/EC). This Royal Decree introduces new requirements for authorising such management companies and the marketing of the schemes which they market. It also provides greater details on the conduct-of-business rules governing these management companies and the operating, organisational and transparency requirements which they must meet, particularly relating to risk management, liquidity and conflicts of interest.

The following aspects are included with the aim of fully transposing the Directive:

– Additional information to be included in the prospectus of non-harmonised CIS.

– Periodic information which managers of CIS should provide to the CNMV on the main markets and instruments in which they trade on behalf of the alternative investment funds which they manage.

– Limits to investment in securitisation instruments.

– Clarification of the concept of investment management to align it with Directive 2011/61/EU, so as to include portfolio management and risk control.

- Requirements for the delegation of the functions of management companies.

- Adjustments are made to the own funds which management companies must have in order to adapt them to the minimum level required by European legislation, as well as to incorporate adequate and consistent procedures which allow correct and independent valuation of the assets of the CIS.

Particularly noteworthy is that it includes regulation on remuneration policies and the depositary which will be applied to managers and depositaries of all types of CIS. Specifically, it makes the rules relating to the depositary more consistent and systematic by integrating them under one single Title. In this regard, Title V is substantially amended in order to define and regulate the functions and responsibility of the depositary. Other more technical aspects may be implemented by the CNMV in accordance with the powers delegated to it.

In addition, it incorporates a series of amendments which are not the direct result of a transposition of the Directive, but which respond to the need to adapt the legal framework to the evolution and development of the collective investment market in Spain. These new aspects include:

- Allowing the active marketing of hedge funds to qualified retail investors, providing they make a minimum investment of 100,000 euros and record in writing that they understand the risks inherent to the investment. It therefore raises the minimum investment for a retail investor to buy or subscribe shares or units of hedge funds (passive marketing) to 100,000 euros.

- Regulating different types of hedge funds so as to allow the possibility of investing in invoices, loans, commercial bills typically used in commercial operations and other similar assets, financial assets linked to investment strategies with a time horizon greater than one year and derivative financial instruments, whatever the nature of the underlying asset. The active marketing of this type of hedge fund is limited exclusively to professionals and certain additional reporting and risk management requirements are added.

- Improving and technically adapting the wording of several articles. For this purpose, it adjusts certain provisions of the regulation so as to allow the use of omnibus accounts. In addition, it adapts the assets in which harmonised CIS may invest so as to include those which ESMA considers suitable and it extends the instruments and derivatives in which non-harmonised SICAVs and non-harmonised financial investment funds may invest.

- Standardising the system for agents, legal representatives and representation with the system for investment firms.

It also introduces the second to the sixth final provisions of the CIS Regulation so as to establish the passport systems for CIS and managers from third countries i.e. the requirements for cross-border marketing and management when the CIS and/or the manager are domiciled or incorporated in non-EU countries. The seventh final provision establishes the requirements to be met by a depositary located in a third country.

Finally, it authorises the CNMV to establish the reporting regime with regard to the modifications in the conditions for authorising CIS management companies, the content and the form to be used for the balance sheet and the legal regime for the depositary.

This Royal Decree repeals Order EHA/596/2008, of 5 March, in the terms provided in the first transitional provision i.e. the repeal will take effect as from the entry into force of the provisions to be approved by the CNMV when implementing the legal regime of the depositary. Until that time, the aforementioned ministerial order will remain in force for all those aspects which do not contradict the provisions of this Royal Decree and of applicable EU legislation.

The first final provision of this Royal Decree amends Royal Decree 1310/2005, of 4 November, with a twofold aim. Firstly, in order to correctly transpose Directive 2003/71/EC, of the European Parliament and of the Council, of 4 November, it was necessary to specify that when the offer price and the number of securities that will be offered to the public cannot be included in the prospectus, the prospectus should include the criteria or the conditions that will be used to determine such elements or, in the case of price, the maximum price. Secondly, it is necessary to apply minimal adjustments so as to adapt Royal Decree 1310/2005 to the content of Directive 2014/51/EU, of the European Parliament and of the Council, of 16 April.

– Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions.

This Royal Decree aims to implement the provisions of Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions with regard to access to the activity, solvency requirements and the supervisory regime of credit institutions. In this regard, it consolidates the regulatory rules on the organisation and regulation of credit institutions into one single text.

It includes, firstly, the provisions relating to credit institutions included in Royal Decree 216/2008, of 15 February, on the own funds of financial institutions, which shall remain in force following the entry into force of Regulation (EU) No. 575/2013, of 26 June 2013, and Directive 2013/36/EU, of 26 June 2013, and, secondly, those of Royal Decree 1245/1995, of 14 July, on the creation of banks, cross-border activity and other issues relating to the legal regime of credit institutions.

To this end, Royal Decree 84/2015 is structured into three major Titles:

– Title I implements the regime for access to the activity of credit institutions. It should be pointed out that the authorisation regime provided for in this Title is limited to banks, as savings banks and credit cooperatives will be governed by their own specific legislation.

  The main new aspect in this Title is included in Chapter IV on "Corporate governance and remuneration policy". With regard to corporate governance, it establishes the functions of the three committees introduced by Law 10/2014 (appointments committee, remuneration committee and risk committee). With regard to remuneration policy, it specifies the type of information which credit institutions are required to publish with the aim of increasing transparency so as to allow shareholders to exercise greater control over the quality of senior executives.

– Title II introduces certain provisions from Directive 2013/36/EU relating to the solvency of credit institutions. Of particular importance are those relating to the systems, procedures and mechanisms for risk management and self-assessment of capital, as well as the rules on capital buffers.

– Title III establishes the supervisory powers of the Bank of Spain. In this regard, in addition to supervising compliance with the different ratios imposed by solvency legislation, it entrusts the Spanish supervisor with special monitoring of the internal methods used by credit institutions for calculating their own funds requirements. Chapters II and III of this Title establish the subjective scope of supervision and cooperation between supervisory authorities.

It is important to highlight the third additional provision, entitled "Activities relating to securities markets", which establishes that when the administrative procedures of authorisation or registration of banks reveal that a credit institution aims to perform activities relating to securities markets, the Bank of Spain shall inform the CNMV of this fact, specifying those activities and indicating, as the case may be, if it aims to perform as a member of an official secondary market, another regulated market domiciled in the European Union or as a member of the multilateral trading facility.

Similarly, this Royal Decree amends Royal Decree 1332/2005, of 11 November, implementing Law 5/2005, of 22 April, on the supervision of financial conglomerates and amending other financial sector laws.

Pursuant to the single repealing provision of this Royal Decree 84/2015, the following legislation is repealed:

– Royal Decree 1245/1995, of 14 July, on the creation of banks, cross-border operations and other issues relating to the legal regime of credit institutions.

– Royal Decree 216/2008, of 15 February, on own funds of financial institutions, with the exception of those provisions relating to investment firms.

– The Order of 20 September 1974 on capital increases.

– Royal Decree-Law 1/2015, of 27 February, on second-chance mechanisms, reduction of financial burdens and other measures of a social nature.

The main purpose of this Royal Decree-Law is to allow a natural person, despite an economic, business or personal failure, the possibility of getting their lives back on track and even to take the risk of new initiatives without having a debt millstone around their neck which they may never be able to pay off.

With this aim, it regulates different mechanisms to improve Out-of-Court Payment Arrangements introduced in Spanish insolvency legislation by Law 14/2013, of 27 September, on support for entrepreneurs and their internationalisation and it introduces an effective second-chance mechanism for natural persons aimed at modulating the strict application of Article 1911 of the Civil Code. This second-chance mechanism allows credit to flow and allows an improvement in the confidence of debtors, without reducing the rights of creditors. To this end, it establishes controls and guarantees which prevent strategic insolvencies or selective dations-in-payment. The aim is to allow those persons who have lost all their assets as a result of liquidation to the benefit of their creditors to be freed from most of their outstanding debts following the aforementioned liquidation.

This Royal Decree-Law is structured into two titles:

– Title I contains initiatives aimed at allowing families and businesses to reduce their financial burden through the amendment of the Insolvency Act 22/2003, of 9 July; Royal Decree-Law 6/2012, of 9 March, on urgent measures to protect mortgage debtors with no means of support, and Law 1/2013, of 14 May, on measures to strengthen the protection of mortgage debtors, debt restructuring and social rent.

  These measures are aimed at increasing the flexibility of out-of-court payment arrangements and to provide a real second-chance mechanism, to improve the "Code of Good Practices for the viable restructuring of debts with a mortgage guarantee on the main residence" (by extending the group protected by said code) and at increasing by two years the suspension of enforcement on main residences for particularly vulnerable groups.

– Title II provides various measures of a social nature.

  Chapter I contains measures relating to tax issues and public authorities through the amendment of certain legal rules; Chapter II establishes measures aimed at encouraging indefinite employment, self-employment and agricultural social protection, and, finally, Chapter III provides measures relating to the Administration of Justice, which include the exemption from the payment of legal fees for natural persons.

The text contains six final provisions. The first five provide for amendments introduced in its Title I which are necessary for their immediate effectiveness. For this purpose, it regulates the functions of insolvency mediation, the remuneration of the insolvency mediator, representation of the debtor in the newly created "subsequent bankruptcy proceedings", the computer application of the website of the Ministry of the Economic Affairs and Competition, aimed at acting as a solvency mediator, and adaptation to the new wording of the "Code of Good Practices". The sixth additional provision establishes the promotion and coordination of collective bargaining.

European legislation

– Regulation (EU) No. 1286/2014, of the European Parliament and of the Council, of 26 November 2014, on key information documents for packaged retail and insurance-based investment products (Corrigendum published in OJEU on 13 December 2014).

  This Regulation (EU) No. 1286/2014 establishes uniform rules on the format and content of the information documents which must be drawn up for packaged retail and insurance-based investment products (PRIIPs), as well as the provision of the key information document to retail investors so that they can understand and compare the key features and risks of certain products.

  The scope of this Regulation covers packaged retail and insurance-based investment products and the people who provide advice or who sell such products. It excludes the following products:

  – non-life insurance products as listed in Annex I of Directive 2009/138/EC;

  – life insurance contracts where the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or infirmity;

  – deposits other than structured deposits as defined in point (43) of Article 4(1) of Directive 2014/65/EU;

  – securities as referred to in points (b) to (g), (i) and (j) of Article 1(2) of Directive 2003/71/EC;

  – pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits;

  – officially recognised occupational pension schemes within the scope of Directive 2003/41/EC, of the European Parliament and of the Council, and of Directive 2009/138/EC;

  – individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider.

As strengthening the confidence of retail investors in financial markets requires improvements to the information on packaged retail and insurance-based products, it is also important to have effective regulation of the sale processes for such products. Consequently, this Regulation is supplementary to the measures on distribution established in Directive 2014/65/EU (MiFID).

– Commission Delegated Regulation (EU) 2015/1, of 30 September 2014, supplementing Regulation (EC) No. 1060/2009, of the European Parliament and of the Council, with regard to regulatory technical standards for the periodic reporting on fees charged by credit rating agencies for the purpose of ongoing supervision by the European Securities and Markets Authority.

  This Delegated Regulation (EU) 2015/1 determines the information which credit rating agencies are required to send to ESMA in order to comply with the provisions of Regulation (EC) No. 1060/2009.

  In this regard, it establishes that they must send information on the following matters:

  – pricing policies and procedures;

  – data on the fees charged to each client for credit rating activities and ancillary services.

  It also details the reporting procedure and determines the data which must be provided in the three Annexes accompanying this Delegated Regulation.

– Commission Delegated Regulation (EU) 2015/2, of 30 September 2014, supplementing Regulation (EC) No. 1060/2009, of the European Parliament and of the Council, with regard to regulatory technical standards for the presentation of the information that credit rating agencies make available to the European Securities and Markets Authority.

  This Commission Delegated Regulation (EU) 2015/2 determines the information which credit rating agencies are required to send to ESMA in order to comply with the provisions of Regulation (EC) No. 1060/2009.

  In this regard, it establishes that registered and certified credit rating agencies, when issuing a credit rating or a rating outlook, must submit rating information to ESMA. In turn, ESMA will publish information on these ratings on a public website known as the European Rating Platform (ERP).

  With this aim, the Annex of this Dedicated Regulation sets forth the data which must be reported regarding each credit rating.

– Commission Delegated Regulation (EU) 2015/3, of 30 September 2014, supplementing Regulation (EC) No. 1060/2009, of the European Parliament and of the Council, with regard to regulatory technical standards on disclosure requirements for structured finance instruments.

This Delegated Regulation (EU) 2015/3 supplements Regulation (EC) 1060/2009 with the purpose of complying with the provision that investors should receive sufficient information on the quality and performance of their underlying assets with a view to enabling them to perform an informed assessment of the creditworthiness of structured finance instruments.

In this regard, this Delegated Regulation is applied to all structured financing instruments whose issuer, originator or sponsor is established in the European Union and which are issued after the date of entry into force of this Regulation. The scope of this Regulation should not be limited to the issuance of structured finance instruments that qualify as securities, but should also include other financial instruments and assets resulting from a securitisation transaction or scheme, such as money-market instruments, including asset-backed commercial paper programmes.

The Annexes of this text contain standardised disclosure templates for a number of asset class categories.

– Commission Delegated Regulation (EU) No. 2015/61, of 10 October 2014, to supplement Regulation (EU) No. 575/2013, of the European Parliament and the Council, with regard to liquidity coverage requirement for Credit Institutions.

This Delegated Regulation establishes rules for specifying the liquidity coverage requirement provided for in Article 412(1) of Regulation (EU) No. 575/2013 and is applicable to all credit institutions supervised in accordance with Directive 2013/36/EU, of the European Parliament and of the Council.

– Commission Delegated Regulation (EU) No. 2015/62, of 10 October 2014, amending Regulation (EU) No. 575/2013, of the European Parliament and of the Council, with regard to the leverage ratio.

This Delegated Regulation amends Regulation (EU) No. 575/2013 with the aim of improving the comparability of the leverage ratio disclosed by institutions and to help avoid misleading market participants as to the real leverage of institutions.

In this regard, it amends the methodology for calculating the leverage ratio and introduces two new articles relating to the exposure value of derivatives and the counterparty credit risk add-on for repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions.

– Commission Delegated Regulation (EU) 2015/63, of 21 October 2014, supplementing Directive 2014/59/EU, of the European Parliament and of the Council, with regard to ex ante contributions to resolution financing arrangements.

This Delegated Regulation establishes rules which specify:

- the methodology for the calculation and adjustment of the risk profile of institutions, of the contributions to be paid by institutions to resolution financing arrangements;

- the obligations of institutions as regards the information to provide for the purpose of the calculation of contributions and as regards the payment of contributions to resolution financing arrangements;

- the measures to ensure verification by the resolution authorities that the contributions have been paid correctly.

The scope of application covers the institutions referred to in Article 103(1) of Directive 2014/59/EU and defined in Article 2(1)(23). It will also apply to a central body and affiliated institutions on a consolidated basis, where the affiliated institutions are wholly or partially exempted from prudential requirements in national law in accordance with Article 10 of Regulation (EU) No. 575/2013.

- Commission Delegated Regulation (EU) 2015/97, of 17 October 2014, correcting Delegated Regulation (EU) No. 918/2012 as regards the notification of significant net short positions in sovereign debt.

  This Delegated Regulation corrects Delegated Regulation (EU) No. 918/2012, with the aim of incorporating the notification threshold of Article 7 of Regulation (EU) No. 236/2012 on significant net short positions in sovereign debt.

- Commission Implementing Regulation (EU) 2015/79, of 18 December 2014, amending Commission Implementing Regulation (EU) No. 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No. 575/2013, of the European Parliament and of the Council, as regards asset encumbrance, single data point model and validation rules.

  This Implementing Regulation amends Implementing Regulation (EU) No. 680/2014 in order to ensure that supervisory reporting on own funds and own fund requirements, financial information, losses stemming from lending that is collateralised by immovable property, large exposures, the leverage ratio, liquidity and asset encumbrances is carried out uniformly, and to ensure common supervisory data of high quality and precision.

- Council Implementing Regulation (EU) 2015/81, of 19 December 2014, specifying uniform conditions of application of Regulation (EU) No. 806/2014 of the European Parliament and of the Council with regard to ex ante contributions to the Single Resolution Fund.

  This Implementing Regulation (EU) 2015/81 lays down rules specifying the conditions for implementing the obligation of the Single Resolution Board to calculate the contributions for individual institutions pursuant to Regulation (EU) No. 806/2014 to the Single Resolution Fund and the methodology for the calculation of those contributions.

- Commission Implementing Regulation (EU) 2015/227, of 9 January 2015, amending Implementing Regulation (EU) No. 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No. 575/2013, of the European Parliament and of the Council.

This Implementing Regulation (EU) 2015/227 adds further precision to the templates, instructions and definitions used for the purposes of supervisory reporting of institutions in order to ensure correct application of the requirements established in Implementing Regulation (EU) No. 680/2014.

IV Statistics Annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

	2012	2013	2014	2014 I	II	III	IV	2015 I[2]
NO. OF ISSUERS								
Total	30	39	49	18	27	25	22	20
Capital increases	30	39	47	18	27	24	21	18
Primary offerings	3	5	6	2	4	2	0	0
Bonus issues	16	16	19	7	6	12	10	6
Of which, scrip dividend	12	9	12	7	3	9	7	5
Capital increases by conversion[3]	11	14	11	6	10	4	6	6
For non-monetary consideration[4]	6	4	4	1	2	3	2	3
With pre-emptive subscription rights	6	6	5	0	2	1	2	1
Without trading warrants	2	15	16	5	10	7	4	4
Secondary offerings	3	0	4	0	2	1	1	2
NO. OF ISSUES								
Total	95	145	147	32	43	39	33	25
Capital increases	92	145	140	32	40	37	31	23
Primary offering	3	5	8	2	4	2	0	0
Bonus issues	24	38	37	7	7	12	11	6
Of which, scrip dividend	18	20	28	7	4	9	8	5
Capital increases by conversion[3]	39	50	43	10	14	8	11	7
For non-monetary consideration[4]	16	17	9	1	2	4	2	3
With pre-emptive subscription rights	6	6	5	0	2	1	2	1
Without trading warrants	4	29	38	12	11	10	5	6
Secondary offerings	3	0	7	0	3	2	2	2
CASH VALUE (million euro)								
Total	29,521.6	39,126.2	32,762.4	4,819.1	9,069.9	5,863.5	13,009.8	15,066.0
Capital increases	28,290.2	39,126.2	27,875.5	4,819.1	7,833.7	5,345.8	9,876.9	10,756.5
Primary offerings	2,450.5	1,742.8	2,951.5	900.0	1,650.0	401.5	0.0	0.0
Bonus issues	8,424.2	9,932.8	12,650.8	2,867.5	2,439.6	3,008.7	4,335.0	2,591.9
Of which, scrip dividend	8,357.9	9,869.4	12,573.8	2,867.5	2,439.5	2,931.7	4,335.0	2,591.9
Capital increases by conversion[3]	10,982.4	7,478.8	3,757.9	1,025.3	1,470.0	1,227.5	35.1	411.2
For non-monetary consideration[4]	1,867.5	231.6	2,814.5	2.1	0.5	314.7	2,497.3	242.4
With pre-emptive subscription rights	4,560.6	11,463.1	2,790.8	0.0	1,738.2	50.5	1,002.1	6.2
Without trading warrants	5.0	8,277.1	2,909.9	24.1	535.4	342.9	2,007.4	7,504.8
Secondary offerings	1,231.4	0.0	4,886.9	0.0	1,236.2	517.7	3,132.9	4,309.5
NOMINAL VALUE (million euro)								
Total	4,704.2	20,135.9	4,768.5	611.5	2,002.9	994.4	1,159.7	1,618.3
Capital increases	4,593.6	20,135.9	4,472.6	611.5	1,993.4	986.4	881.2	908.5
Primary offerings	613.0	988.2	626.7	130.0	132.6	364.2	0.0	0.0
Bonus issues	1,076.5	1,458.6	1,258.2	295.5	288.3	243.9	430.5	187.8
Of which, scrip dividend	929.2	1,208.3	1,110.0	295.5	159.0	234.0	421.5	187.0
Capital increases by conversion[3]	678.0	3,721.0	819.7	170.8	439.8	204.5	4.6	12.4
For non-monetary consideration[4]	452.1	60.3	311.0	0.0	0.0	125.5	185.5	94.4
With pre-emptive subscription rights	1,770.4	8,021.7	1,185.7	0.0	1,028.2	21.6	135.9	6.2
Without trading warrants	3.6	5,886.0	271.3	15.2	104.6	26.8	124.8	607.6
Secondary offerings	110.6	0.0	295.9	0.0	9.5	8.0	278.5	709.8
***Pro memoria*: transactions MAB[5]**								
No. of Issuers	9	7	9	3	3	5	1	3
No. of Issues	11	14	12	3	3	5	1	3
Cash value (million euro)	35.8	45.7	107.3	9.9	43.4	53.3	0.7	7.6
Capital increases	35.8	45.7	107.3	9.9	43.4	53.3	0.7	7.6
Of which, primary offerings	6.8	1.8	5.0	0.0	5.0	0.0	0.0	0.0
Secondary offerings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Registered transactions at the CNMV. Does not include data from MAB, ETF or Latibex
2 Available data: February 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

				2014				2015
	2012	2013	2014	I	II	III	IV	I[2]
Total electronic market[3]	127	123	129	125	128	129	129	129
Of which, without Nuevo Mercado	127	123	129	125	128	129	129	129
Of which, Nuevo Mercado	0	0	0	0	0	0	0	0
Of which, foreign companies	7	7	8	7	8	8	8	8
Second Market	8	7	6	7	7	7	6	5
Madrid	2	2	2	2	2	2	2	2
Barcelona	6	5	4	5	5	5	4	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	23	22	20	20	20
Madrid	11	11	9	11	10	9	9	9
Barcelona	13	13	12	13	13	12	12	12
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	3,083	3,140	3,220	3,269	3,291
Latibex	27	26	26	26	26	26	26	25

1 Data at the end of period.
2 Available data: February 2015.
3 Without ETFs (Exchange Traded Funds).
4 Alternative Stock Market.

Capitalisation[1]

TABLE 1.3

				2014				2015
Million euro	2012	2013	2014	I	II	III	IV	I[2]
Total electronic market[3]	532,039.7	705,162.3	735,317.8	732,860.8	770,655.0	777,202.8	735,317.8	842,822.3
Of which, without Nuevo Mercado	532,039.7	705,162.3	735,317.8	732,860.8	770,655.0	777,202.8	735,317.8	842,822.3
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]	99,072.0	141,142.4	132,861.1	136,774.1	137,141.6	142,761.6	132,861.1	158,356.3
Ibex 35	324,442.0	430,932.9	479,378.5	430,932.9	491,230.1	489,544.0	479,378.5	531,497.5
Second Market	20.6	67.5	30.2	53.6	31.6	32.9	30.2	17.6
Madrid	20.3	18.3	15.8	16.9	17.2	18.5	15.8	17.6
Barcelona	0.3	49.3	14.4	36.8	14.4	14.4	14.4	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	2,753.9	2,211.3	2,102.4	2,466.6	2,621.6
Madrid	667.1	519.4	376.5	503.2	436.7	396.8	376.5	351.4
Barcelona	2,945.9	2,749.5	2,356.5	2,597.7	2,921.1	2,006.5	2,356.5	2,465.6
Bilbao	77.8	183.6	162.5	183.6	169.2	171.0	162.5	222.8
Valencia	350.9	342.5	326.4	344.1	323.5	329.9	326.4	219.7
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	32,837.8	33,746.7	33,782.2	34,306.0	36,435.1
Latibex	350,635.5	270,926.9	286,229.2	259,328.5	343,369.1	300,549.1	286,229.2	237,257.7

1 Data at the end of period.
2 Available data: February 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 I	II	III	IV	2015 I[1]
Total electronic market[2]	691,558.3	693,168.0	864,443.5	185,571.8	221,131.3	191,971.3	265,769.1	171,069.6
Of which, without Nuevo Mercado	691,558.3	693,168.0	864,443.5	185,571.8	221,131.3	191,971.3	265,769.1	171,069.6
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	2,576.7	3,127.2	3,681.8	5,123.2	2,242.9
Second Market	0.4	1.7	0.7	0.2	0.2	0.2	0.1	0.5
Madrid	0.4	1.4	0.5	0.2	0.2	0.1	0.1	0.5
Barcelona	0.0	0.3	0.2	0.0	0.0	0.2	0.0	0.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	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	20.9	6.8	39.1	25.6	6.9
Madrid	3.0	7.3	32.6	1.0	3.7	27.1	0.8	0.7
Barcelona	37.7	44.1	45.2	5.7	2.9	12.0	24.6	3.5
Bilbao	8.5	0.1	14.3	14.2	0.0	0.0	0.1	2.8
Valencia	0.7	0.0	0.3	0.0	0.2	0.0	0.1	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	2,092.1	2,098.2	1,704.3	1,828.7	1,228.2
Latibex	313.2	367.3	373.1	137.3	76.7	76.6	82.5	49.4

1 Available data: February 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 I	II	III	IV	2015 I[2]
Regular trading	658,891.4	668,553.2	831,962.6	179,931.3	209,766.0	187,072.7	255,192.6	153,412.3
Orders	299,022.0	346,049.6	453,294.9	114,916.9	106,745.8	102,588.5	129,043.8	92,390.6
Put-throughs	80,617.0	56,565.3	73,056.9	17,555.2	18,815.3	16,303.0	20,383.4	15,395.1
Block trades	279,252.4	265,938.3	305,610.8	47,459.2	84,205.0	68,181.2	105,765.4	45,626.6
Off-hours	9,630.0	7,654.7	7,568.8	959.4	5,803.9	534.0	271.4	1,717.5
Authorised trades	7,936.9	4,839.9	7,808.9	1,219.7	856.7	1,574.6	4,157.9	11,123.7
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	92.8	0.0	82.5	13.8
Public offerings for sale	0.0	396.1	6,143.4	850.0	1,642.7	517.7	3,132.9	4,266.8
Declared trades	545.0	379.7	410.9	400.0	9.9	0.0	1.1	0.0
Options	9,603.4	7,083.5	6,954.1	1,493.3	1,945.8	1,489.5	2,025.4	199.4
Hedge transactions	4,942.0	3,934.4	3,419.5	718.2	1,013.5	782.7	905.2	336.2

1 Without ETFs (Exchange Traded Funds).
2 Available data: February 2015.

Margin trading for sales and securities lending

TABLE 1.6

Million euro	2012	2013	2014	2014 I	II	III	IV	2015 I[1]
TRADING								
Securities lending[2]	395,859.3	464,521.5	599,051.5	116,399.9	173,562.6	140,620.0	168,469.0	103,805.8
Margin trading for sales of securities[3]	199.2	326.8	357.9	72.6	100.8	103.6	81.0	73.3
Margin trading for securities purchases[3]	44.4	34.1	16.2	8.2	2.1	1.2	4.8	1.9
OUTSTANDING BALANCE								
Securities lending[2]	34,915.1	43,398.9	61,076.1	45,982.9	54,428.2	53,174.3	61,076.1	74,269.5
Margin trading for sales of securities[3]	1.2	7.3	6.4	14.9	17.2	12.1	6.4	21.4
Margin trading for securities purchases[3]	2.5	0.6	0.4	1.2	0.2	0.1	0.4	0.5

1 Available data: February 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

				2014				2015
	2012	2013	2014	I	II	III	IV	I[1]
NO. OF ISSUERS								
Total	71	49	46	16	20	18	21	13
Mortgage covered bonds	26	12	13	5	6	6	3	4
Territorial covered bonds	11	5	3	1	1	1	0	0
Non-convertible bonds and debentures	24	11	16	9	12	10	10	8
Convertible bonds and debentures	3	4	1	0	1	0	0	0
Backed securities	16	18	13	1	3	3	7	0
Commercial paper	35	20	18	6	4	4	4	3
Of which, asset-backed	1	0	1	1	0	0	0	1
Of which, non-asset-backed	34	20	17	5	4	4	4	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	85	178	182	217	63
Mortgage covered bonds	94	40	27	6	8	6	7	5
Territorial covered bonds	18	6	3	1	1	1	0	0
Non-convertible bonds and debentures	134	170	578	69	156	165	188	56
Convertible bonds and debentures	7	8	1	0	1	0	0	0
Backed securities	50	53	35	3	8	6	18	0
Commercial paper[2]	46	20	18	6	4	4	4	3
Of which, asset-backed	1	0	1	1	0	0	0	1
Of which, non-asset-backed	45	20	17	5	4	4	4	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	20,592.5	27,434.1	19,886.5	62,345.3	22,572.8
Mortgage covered bonds	102,170.0	24,799.7	23,838.0	3,450.0	11,000.0	3,750.0	5,638.0	4,300.0
Territorial covered bonds	8,974.0	8,115.0	1,853.3	1,500.0	218.3	135.0	0.0	0.0
Non-convertible bonds and debentures	86,441.5	32,536.9	41,154.7	5,988.3	4,605.0	2,536.3	28,025.2	13,111.7
Convertible bonds and debentures	3,563.1	803.3	750.0	0.0	750.0	0.0	0.0	0.0
Backed securities	23,799.6	28,592.9	29,008.0	1,850.0	3,855.0	7,640.0	15,663.0	0.0
Spanish tranche	20,627.1	24,980.1	26,972.1	1,388.8	3,573.3	7,550.0	14,460.0	0.0
International tranche	3,172.5	3,612.8	2,035.9	461.2	281.7	90.0	1,203.0	0.0
Commercial paper[3]	132,882.0	43,990.8	33,654.4	7,804.3	7,005.8	5,825.2	13,019.1	5,161.1
Of which, asset-backed	1,821.0	1,410.0	620.0	200.0	420.0	0.0	0.0	700.0
Of which, non-asset-backed	131,061.0	42,580.8	33,034.4	7,604.3	6,585.8	5,825.2	13,019.1	4,461.1
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	0.0	2,243.8	1,545.0	4,210.5	0.0
Underwritten issues	0.0	193.0	195.8	195.8	0.0	0.0	0.0	0.0

1 Available data: February 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

				2014				2015
Nominal amount in million euro	2012	2013	2014	I	II	III	IV	I[2]
Total	363,944.5	130,467.7	114,956.4	29,151.5	28,532.2	20,870.7	36,402.0	37,974.2
Commercial paper	134,346.9	45,228.6	33,493.1	7,453.5	7,334.6	5,734.9	12,970.2	5,410.1
Bonds and debentures	92,725.5	22,414.4	25,712.5	16,346.5	5,119.3	2,365.8	1,880.8	28,264.1
Mortgage covered bonds	103,470.0	25,399.7	24,438.0	3,050.0	12,000.0	3,500.0	5,888.0	4,300.0
Territorial covered bonds	8,974.0	8,115.0	1,853.3	0.0	1,718.3	135.0	0.0	0.0
Backed securities	24,428.1	29,309.9	29,459.5	2,301.5	2,360.0	9,135.0	15,663.0	0.0
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Matador bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Includes only corporate bonds.
2 Available data: February 2015.

AIAF. Issuers, issues and outstanding balance

TABLE 1.9

	2012	2013	2014	2014 I	II	III	IV	2015 I[1]
NO. OF ISSUERS								
Total	568	493	465	486	480	482	465	449
Corporate bonds	568	492	464	485	479	481	464	448
Commercial paper	42	30	19	24	22	20	19	18
Bonds and debentures	95	91	79	89	89	86	79	78
Mortgage covered bonds	49	48	49	48	48	49	49	47
Territorial covered bonds	18	12	9	11	10	10	9	9
Backed securities	385	341	329	335	331	333	329	319
Preference shares	60	34	23	34	31	31	23	19
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	3,074	2,922	2,877	2,857	2,832
Corporate bonds	4,907	3,192	2,694	2,922	2,771	2,712	2,694	2,672
Commercial paper	2,529	1,130	456	888	707	545	456	435
Bonds and debentures	558	495	786	512	570	682	786	826
Mortgage covered bonds	328	283	256	273	265	262	256	250
Territorial covered bonds	52	39	34	37	36	36	34	34
Backed securities	1,334	1,188	1,120	1,155	1,139	1,133	1,120	1,092
Preference shares	94	47	33	47	44	44	33	26
Matador bonds	12	10	9	10	10	10	9	9
Government bonds	–	153	163	152	151	165	163	160
Letras del Tesoro	–	12	12	12	12	12	12	12
Long Government bonds	–	141	151	140	139	153	151	148
OUTSTANDING BALANCE[2] (million euro)								
Total	879,627.5	1,442,270.2	1,374,947.5	1,426,374.9	1,415,557.2	1,405,130.1	1,374,947.5	1,377,412.0
Corporate bonds	879,627.5	708,601.8	581,825.3	669,134.9	639,440.5	619,043.1	581,825.3	576,434.1
Commercial paper	64,927.5	28,816.3	20,361.6	21,886.1	20,663.1	15,647.3	20,361.6	15,707.3
Bonds and debentures	161,225.4	132,076.6	74,076.5	128,478.4	122,652.2	110,385.6	74,076.5	86,211.7
Mortgage covered bonds	293,142.8	246,967.9	208,314.2	233,067.9	220,443.2	216,445.2	208,314.2	202,192.2
Territorial covered bonds	33,314.3	29,793.5	24,671.3	26,768.5	25,625.3	25,268.3	24,671.3	24,671.3
Backed securities	315,373.5	269,176.8	253,045.1	257,186.4	248,398.0	249,638.1	253,045.1	246,373.6
Preference shares	10,813.4	1,076.2	782.1	1,053.0	964.2	964.1	782.1	703.6
Matador bonds	830.7	694.6	574.4	694.6	694.6	694.6	574.4	574.4
Government bonds	–	733,668.3	793,122.3	757,240.0	776,116.8	786,087.0	793,122.3	800,977.9
Letras del Tesoro	–	89,174.4	77,926.1	82,521.4	74,639.7	77,128.8	77,926.1	78,435.8
Long Government bonds	–	644,493.9	715,196.2	674,718.6	701,477.1	708,958.3	715,196.2	722,542.1

1 Available data: February 2015.
2 Nominal amount.

AIAF. Trading

TABLE 1.10

Nominal amount in million euro	2012	2013	2014	2014 I	II	III	IV	2015 I[1]
BY TYPE OF ASSET								
Total	3,119,755.1	1,400,757.7	1,118,963.7	405,073.2	350,277.6	204,278.0	159,334.8	103,853.5
Corporate bonds	3,119,755.1	1,400,601.6	1,118,719.6	405,012.8	350,215.9	204,205.1	159,285.8	103,766.6
Commercial paper	199,794.9	112,559.8	48,817.3	19,546.3	11,997.0	10,327.5	6,946.5	6,003.7
Bonds and debentures	164,098.6	295,191.7	269,659.8	76,360.7	122,206.2	52,855.8	18,237.2	21,659.9
Mortgage covered bonds	994,071.3	341,674.0	376,273.3	111,030.6	101,392.2	76,429.9	87,420.6	41,223.8
Territorial covered bonds	595,599.6	86,758.6	82,023.2	41,879.4	23,688.5	9,958.1	6,497.2	3,969.9
Backed securities	1,136,966.1	538,064.8	341,827.8	156,164.4	90,902.0	54,601.2	40,160.2	30,895.8
Preference shares	28,781.3	26,256.0	97.7	26.8	29.6	18.5	22.8	11.1
Matador bonds	443.2	96.7	20.5	4.6	0.5	14.2	1.2	2.4
Government bonds	–	156.1	244.1	60.4	61.8	72.9	49.1	86.9
Letras del Tesoro	–	11.6	30.7	4.2	5.5	7.5	13.5	5.4
Long Government bonds	–	144.4	213.4	56.1	56.2	65.4	35.6	81.5
BY TYPE OF TRANSACTION								
Total	3,119,755.1	1,400,757.6	1,118,963.7	405,073.2	350,277.6	204,278.0	159,334.8	103,853.5
Outright	428,838.0	290,633.0	396,341.0	76,348.3	111,059.5	99,239.3	109,693.9	54,187.8
Repos	108,771.9	69,063.3	29,800.4	8,928.1	7,613.5	6,114.3	7,144.5	3,268.3
Sell-buybacks/Buy-sellbacks	2,582,145.2	1,041,061.3	692,822.2	319,796.8	231,604.6	98,924.4	42,496.4	46,397.4

1 Available data: February 2015.

AIAF. Third-party trading. By purchaser sector

TABLE 1.11

Nominal amount in million euro	2012	2013	2014	2014 I	II	III	IV	2015 I[1]
Total	454,385.7	275,939.0	262,527.8	69,066.4	65,260.9	55,628.8	72,571.7	32,534.6
Non-financial companies	77,452.1	45,351.7	30,843.4	9,030.1	8,986.7	6,253.9	6,572.7	6,475.1
Financial institutions	282,733.9	163,671.3	132,114.5	34,851.9	30,051.6	29,701.8	37,509.2	15,739.8
Credit institutions	207,555.6	97,674.3	87,475.6	23,260.3	19,778.9	22,000.3	22,436.1	12,903.2
IICs[2], insurance and pension funds	69,568.7	59,371.8	34,205.9	9,977.0	8,252.4	6,802.1	9,174.5	1,210.2
Other financial institutions	5,609.6	6,625.2	10,433.1	1,614.7	2,020.4	899.3	5,898.6	1,626.4
General government	5,448.2	2,438.8	5,067.3	982.5	1,333.6	586.3	2,164.9	1,425.6
Households and NPISHs[3]	11,517.9	8,598.4	2,861.8	1,046.4	747.4	415.1	652.9	296.2
Rest of the world	77,233.7	55,878.8	91,640.7	23,155.5	24,141.5	18,671.7	25,672.0	8,597.9

1 Available data: February 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 I	II	III	IV	2015 I[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: February 2015.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.13

	2012	2013	2014	2014 I	II	III	IV	2015 I[1]
NO. OF ISSUERS								
Total	52	40	28	38	36	34	28	27
Private issuers	39	27	17	25	23	21	17	16
Non-financial companies	3	2	0	1	1	1	0	0
Financial institutions	36	25	17	24	22	20	17	16
General government[2]	13	13	11	13	13	13	11	11
Regional governments	3	3	3	3	3	3	3	3
NO. OF ISSUES								
Total	220	197	165	195	189	183	165	154
Private issuers	122	89	65	84	79	76	65	59
Non-financial companies	3	2	0	1	1	1	0	0
Financial institutions	119	87	65	83	78	75	65	59
General government[2]	98	108	100	111	110	107	100	95
Regional governments	67	64	56	63	62	60	56	50
OUTSTANDING BALANCES[3] (million euro)								
Total	37,636.4	25,284.5	16,800.4	23,578.4	21,160.2	17,533.6	16,800.4	16,737.0
Private issuers	13,625.4	8,317.5	3,401.2	7,216.1	5,603.1	3,760.5	3,401.2	3,319.3
Non-financial companies	194.9	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	13,430.6	8,315.5	3,401.2	7,216.0	5,603.0	3,760.4	3,401.2	3,319.3
General government[2]	24,010.9	16,967.0	13,399.2	16,362.4	15,557.1	13,773.2	13,399.2	13,417.7
Regional governments	22,145.0	15,716.3	12,227.2	15,066.5	14,285.0	12,496.3	12,227.2	12,226.9

1 Available data: February 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 I	II	III	IV	2015 I[1]
Electronic market	1,198.3	1,592.6	861.2	761.3	78.6	5.0	16.3	4.4
Open outcry	3,746.6	3,388.3	5,534.0	512.2	142.2	25.1	4,854.5	289.4
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	508.0	140.0	24.5	4,854.5	289.4
Bilbao	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	338.7	190.9	7.0	4.2	2.2	0.6	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	7,634.1	8,685.9	18,212.5	8,144.7	4,804.4

1 Available data: February 2015.

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

TABLE 1.15

Nominal amounts in million euro	2012	2013	2014	2014 I	II	III	IV	2015 I[1]
Total	40,034.0	64,011.0	103,044.0	26,252.0	28,346.0	25,998.0	22,448.0	15,508.0
Outright	40,034.0	64,011.0	103,044.0	26,252.0	28,346.0	25,998.0	22,448.0	15,508.0
Sell-buybacks/Buy-sellbacks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: February 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 I	II	III	IV	2015 I[1]
Debt products	45,240	13,667	4,690	1,282	409	1,356	1,643	935
Debt futures[2]	45,240	13,667	4,690	1,282	409	1,356	1,643	935
Ibex 35 products[3,4]	5,410,311	6,416,073	7,728,494	1,906,039	1,792,870	1,807,250	2,222,335	1,394,932
Ibex 35 plus futures	4,745,067	5,578,607	6,924,068	1,698,044	1,564,905	1,638,231	2,022,888	1,271,895
Ibex 35 mini futures	242,477	198,736	304,891	67,358	64,491	70,135	102,907	62,990
Ibex 35 dividend impact futures	2,162	3,520	23,939	5,638	1,920	11,817	4,564	6,747
Call mini options	225,704	308,084	302,255	88,798	98,102	59,376	55,979	33,402
Put mini options	194,902	327,126	173,342	46,201	63,453	27,692	35,997	19,898
Stock products[5]	55,753,236	35,884,393	27,697,961	10,519,859	5,847,529	5,106,522	6,224,051	2,700,748
Futures	21,220,876	14,927,659	12,740,105	4,536,363	3,547,198	2,302,945	2,353,599	1,165,087
Stock dividend futures	25,000	66,650	236,151	23,705	41,485	46,001	124,960	24,161
Call options	14,994,283	10,534,741	5,773,662	1,900,418	1,208,118	1,224,941	1,440,185	635,030
Put options	19,513,077	10,355,343	8,948,043	4,059,373	1,050,728	1,532,635	2,305,308	876,471
***Pro-memoria*: MEFF trading on Eurex**								
Debt products[6]	161,376	167,827	163,799	49,145	45,558	28,097	40,999	53,282
Index products[7]	266,422	111,924	56,362	16,378	12,441	12,740	14,803	19,825

1 Available data: February 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	I	II	III	IV	I[1]
WARRANTS[2]								
Premium amount (million euro)	3,834.3	3,621.2	3,644.2	881.4	1,431.7	583.2	747.9	541.8
On stocks	2,231.7	2,211.8	1,770.9	475.9	579.3	364.8	351.0	270.2
On indexes	1,273.5	1,122.6	1,697.3	335.1	826.3	183.6	352.4	209.3
Other underlyings[3]	329.1	286.8	176.0	70.4	26.1	34.9	44.5	62.3
Number of issues	7,073	8,347	8,574	1,921	2,820	1,919	1,914	0
Number of issuers	7	7	6	5	6	5	5	4
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: February 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	I	II	III	IV	I[1]
WARRANTS								
Trading (million euro)	762.9	752.7	817.7	208.1	215.5	186.0	208.1	220.1
On Spanish stocks	349.0	379.4	379.8	118.2	110.3	72.4	79.0	68.1
On foreign stocks	87.6	86.3	51.2	16.9	14.9	9.5	9.9	14.1
On indexes	268.6	255.4	364.3	66.9	84.6	100.2	112.6	129.7
Other underlyings[2]	57.7	31.6	22.4	6.1	5.7	3.9	6.8	8.1
Number of issues[3]	7,419	7,299	7,612	3,173	3,141	2,854	3,256	2,760
Number of issuers[3]	10	8	8	8	8	7	7	7
CERTIFICATES								
Trading (million euro)	16.8	1.0	1.7	0.6	0.8	0.1	0.2	0.0
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	2,696.6	1,894.9	2,476.1	2,781.9	1,921.1
Number of funds	74	72	70	72	70	70	70	70
Assets[4] (million euro)	274.7	382.0	436.1	404.9	435.4	446.0	436.1	–

1 Available data: February 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 is 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	I	II	III	IV	I[2]
On olive oil								
Extra-virgin olive oil futures[3]	78,566	88,605	38,964	9,999	10,832	15,030	3,103	0

1 Olive oil futures market.
2 Available data: February 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 I	II	III	IV	2015 I[1]
BROKER-DEALERS								
Spanish firms	46	41	40	41	40	41	40	39
Branches	16	20	22	20	20	22	22	22
Agents	6,264	6,269	6,321	6,297	6,292	6,298	6,321	6,328
BROKERS								
Spanish firms	41	41	38	40	40	40	38	37
Branches	12	11	21	18	16	16	21	21
Agents	590	520	454	464	481	483	454	486
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	6	5	5	5	5	5	5	5
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	130	134	138	143	144
Branches	5	9	11	9	10	10	11	11
CREDIT INSTITUTIONS[2]								
Spanish firms	147	141	137	143	141	139	137	136

1 Available data: February 2015.
2 Source: Banco de España.

Investment services. Foreign firms

TABLE 2.2

	2012	2013	2014	2014 I	II	III	IV	2015 I[1]
Total	2,981	3,104	3,102	3,133	3,157	3,107	3,102	3,117
Investment services firms	2,526	2,650	2,641	2,677	2,700	2,645	2,641	2,656
From EU member states	2,523	2,647	2,638	2,674	2,697	2,642	2,638	2,653
Branches	37	38	39	38	38	36	39	39
Free provision of services	2,486	2,609	2,599	2,636	2,659	2,606	2,599	2,614
From non-EU states	3	3	3	3	3	3	3	3
Branches	0	0	0	0	0	0	0	0
Free provision of services	3	3	3	3	3	3	3	3
Credit institutions[2]	455	454	461	456	457	462	461	461
From EU member states	445	444	452	447	448	453	452	452
Branches	55	52	54	53	53	54	54	55
Free provision of services	390	392	398	394	395	399	398	397
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	7	7	6	6
Free provision of services	2	2	3	2	2	2	3	3

1 Available data: February 2015.
2 Source: Banco de España and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

Million euro	2012	2013	2014	2013 IV	2014 I	II	III	IV
FIXED-INCOME								
Total	10,508,139.1	10,492,026.8	9,264,859.8	2,752,115.4	2,842,302.0	2,462,930.4	2,239,416.0	1,720,211.4
Broker-dealers	2,900,770.8	5,217,059.4	4,989,059.9	1,369,758.1	1,500,575.6	1,227,460.1	1,161,159.9	1,099,864.3
Spanish organised markets	556,756.0	2,597,608.6	2,372,515.0	693,929.8	715,449.1	573,262.8	526,040.3	557,762.8
Other Spanish markets	1,943,730.6	2,310,403.7	2,388,868.8	598,095.6	710,743.9	584,995.5	592,597.9	500,531.5
Foreign markets	400,284.2	309,047.1	227,676.1	77,732.7	74,382.6	69,201.8	42,521.7	41,570.0
Brokers	7,607,368.3	5,274,967.4	4,275,799.9	1,382,357.3	1,341,726.4	1,235,470.3	1,078,256.1	620,347.1
Spanish organised markets	2,521,310.9	69,066.6	89,472.6	26,945.1	30,851.4	23,638.3	21,585.0	13,397.9
Other Spanish markets	4,883,226.6	5,007,723.4	3,955,091.6	1,304,977.4	1,237,155.8	1,150,873.0	1,007,119.1	559,943.7
Foreign markets	202,830.8	198,177.4	231,235.7	50,434.8	73,719.2	60,959.0	49,552.0	47,005.5
EQUITY								
Total	736,602.3	692,872.0	940,623.2	206,856.8	211,344.9	225,722.2	215,751.6	287,804.5
Broker-dealers	692,058.6	650,094.9	875,037.7	191,524.2	202,296.1	211,503.8	199,931.9	261,305.9
Spanish organised markets	639,498.2	590,027.1	814,349.4	170,842.4	188,015.6	194,806.0	185,890.3	245,637.5
Other Spanish markets	1,806.3	2,585.4	2,828.5	814.1	642.6	755.8	627.9	802.2
Foreign markets	50,754.1	57,482.4	57,859.8	19,867.7	13,637.9	15,942.0	13,413.7	14,866.2
Brokers	44,543.7	42,777.1	65,585.5	15,332.6	9,048.8	14,218.4	15,819.7	26,498.6
Spanish organised markets	14,532.5	14,677.2	16,726.7	3,734.1	4,227.9	4,125.2	3,942.7	4,430.9
Other Spanish markets	6,695.5	9,140.4	14,009.1	4,158.1	1,359.7	2,730.7	3,720.0	6,198.7
Foreign markets	23,315.7	18,959.5	34,849.7	7,440.4	3,461.2	7,362.5	8,157.0	15,869.0

1 Period accumulated data. Quarterly.

Intermediation of derivative transactions[1,2]

TABLE 2.4

Million euro	2012	2013	2014	2013 IV	2014 I	II	III	IV
Total	6,536,223.6	6,316,221.8	10,095,572.3	1,716,839.8	1,926,896.5	1,922,535.5	2,326,464.6	3,919,675.7
Broker-dealers	5,777,847.8	6,110,753.4	9,918,555.0	1,672,029.8	1,879,980.7	1,872,909.0	2,288,382.5	3,877,282.8
Spanish organised markets	1,819,388.6	2,410,367.9	4,625,999.8	723,628.7	790,796.4	758,339.0	1,330,314.4	1,746,550.0
Foreign organised markets	3,718,052.1	3,423,638.5	4,913,770.3	868,983.4	969,114.4	1,024,667.0	876,714.9	2,043,274.0
Non-organised markets	240,407.1	276,747.0	378,784.9	79,417.7	120,069.9	89,903.0	81,353.2	87,458.8
Brokers	758,375.8	205,468.4	177,017.3	44,810.0	46,915.8	49,626.5	38,082.1	42,392.9
Spanish organised markets	5,371.0	4,668.8	6,881.8	1,036.8	1,071.4	2,234.6	2,494.2	1,081.6
Foreign organised markets	566,337.3	29,584.9	37,016.8	3,587.0	3,514.2	8,605.3	10,869.1	14,028.2
Non-organised markets	186,667.5	171,214.7	133,118.7	40,186.2	42,330.2	38,786.6	24,718.8	27,283.1

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

Million euro	2012	2013	2014	2013 IV	2014 I	II	III	IV
NUMBER OF PORTFOLIOS								
Total	10,985	11,380	13,483	11,380	12,584	13,286	13,893	13,483
Broker-dealers. Total	4,122	4,001	4,741	4,001	4,248	4,496	4,739	4,741
IIC[2]	68	59	63	59	58	60	62	63
Other[3]	4,054	3,942	4,678	3,942	4,190	4,436	4,677	4,678
Brokers. Total	3,680	3,699	4,484	3,699	4,447	4,697	4,935	4,484
IIC[2]	51	57	63	57	57	62	64	63
Other[3]	3,629	3,642	4,421	3,642	4,390	4,635	4,871	4,421
Portfolio management companies. Total	3,183	3,680	4,258	3,680	3,889	4,093	4,219	4,258
IIC[2]	5	12	5	12	12	12	13	5
Other[3]	3,178	3,668	4,253	3,668	3,877	4,081	4,206	4,253
ASSETS UNDER MANAGEMENT (thousand euro)								
Total	9,350,841	10,692,140	11,661,203	10,692,140	11,480,629	12,243,199	12,736,538	11,661,203
Broker-dealers. Total	3,578,436	4,171,331	4,905,630	4,171,331	4,476,143	4,788,421	4,951,046	4,905,630
IIC[2]	965,479	1,160,986	1,371,924	1,160,986	1,241,865	1,413,549	1,466,770	1,371,924
Other[3]	2,612,957	3,010,345	3,533,706	3,010,345	3,234,278	3,374,871	3,484,276	3,533,706
Brokers. Total	1,927,219	2,284,773	1,935,646	2,284,773	2,463,693	2,632,958	2,743,601	1,935,646
IIC[2]	417,981	610,839	846,244	610,839	656,435	778,850	820,023	846,244
Other[3]	1,509,238	1,673,934	1,089,403	1,673,934	1,807,259	1,854,107	1,923,579	1,089,403
Portfolio management companies. Total	3,845,186	4,236,036	4,819,927	4,236,036	4,540,793	4,821,820	5,041,891	4,819,927
IIC[2]	107,691	195,735	118,847	195,735	201,528	206,687	211,117	118,847
Other[3]	3,737,495	4,040,301	4,701,080	4,040,301	4,339,265	4,615,133	4,830,774	4,701,080

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 and assets advised[1]

TABLE 2.6

Million euro	2012	2013	2014	2013 IV	2014 I	II	III	IV
NUMBER OF CONTRACTS								
Total	9,362	9,918	11,853	9,918	9,434	11,702	13,154	11,853
Broker-dealers. Total[2]	1,198	1,221	2,493	1,221	1,250	2,840	4,096	2,493
Retail clients	1,183	1,197	2,475	1,197	1,234	2,811	4,050	2,475
Professional clients	13	17	6	17	7	8	8	6
Brokers. Total[2]	6,445	6,961	7,547	6,961	6,495	7,151	7,328	7,547
Retail clients	6,019	6,674	7,357	6,674	6,213	6,880	7,062	7,357
Professional clients	406	264	170	264	259	248	243	170
Portfolio management companies. Total[2]	1,719	1,736	1,813	1,736	1,689	1,711	1,730	1,813
Retail clients	1,712	1,731	1,805	1,731	1,684	1,706	1,723	1,805
Professional clients	7	5	8	5	5	5	7	8
ASSETS ADVISED (thousand euro)								
Total	7,589,555	8,547,601	10,315,712	8,547,601	8,869,694	10,170,516	10,847,146	10,315,712
Broker-dealers. Total[2]	820,465	739,401	2,052,127	739,401	989,484	2,126,680	2,576,310	2,052,127
Retail clients	568,359	452,458	1,378,645	452,458	480,996	1,191,393	1,540,094	1,378,645
Professional clients	27,613	44,804	29,893	44,804	38,407	53,561	53,051	29,893
Brokers. Total[2]	5,598,708	6,828,313	7,244,301	6,828,313	6,919,775	7,242,376	7,342,504	7,244,301
Retail clients	3,590,416	3,897,689	5,400,023	3,897,689	4,808,503	5,226,643	5,388,616	5,400,023
Professional clients	1,899,566	1,908,486	1,695,388	1,908,486	1,921,458	1,822,436	1,748,396	1,695,388
Portfolio management companies. Total[2]	1,170,382	979,887	1,019,284	979,887	960,435	801,460	928,332	1,019,284
Retail clients	705,185	742,043	893,327	742,043	712,376	770,208	802,319	893,327
Professional clients	465,197	237,844	125,956	237,844	248,059	31,252	126,013	125,956

1 Data at the end of period. Quarterly.
2 Includes retail, professional and other clients.

Aggregated income statement. Broker-dealers

TABLE 2.7

Thousand euro[1]	2012	2013	2014	2014 I	II	III	IV	2015 I[2]
I. Interest income	56,161	67,333	74,177	7,821	25,055	59,668	74,177	2,432
II. Net commission	410,740	387,216	445,317	114,475	229,051	340,718	445,317	31,850
Commission revenues	589,027	565,787	633,263	161,023	323,269	481,400	633,263	50,018
Brokering	348,403	347,522	342,462	98,931	191,070	266,627	342,462	32,535
Placement and underwriting	6,869	4,824	21,414	5,703	7,390	18,953	21,414	2
Securities deposit and recording	19,775	17,987	22,347	5,098	10,442	15,896	22,347	2,054
Portfolio management	14,883	15,581	21,046	6,017	10,094	15,203	21,046	1,867
Design and advising	12,067	18,597	19,502	5,002	8,728	15,101	19,502	707
Stocks search and placement	50	8,659	4,367	53	3,956	4,347	4,367	15
Market credit transactions	8	22	0	0	0	0	0	0
IICs[3] marketing	45,050	51,766	62,948	14,517	30,549	46,442	62,948	5,900
Other	141,924	100,829	139,177	25,702	61,039	98,833	139,177	6,939
Commission expenses	178,287	178,571	187,946	46,548	94,218	140,682	187,946	18,168
III. Financial investment income	9,403	256,110	222,077	2,765	36,828	135,612	222,077	-9,409
IV. Net exchange differences and other operating products and expenses	-28,522	-138,467	-96,425	52,098	49,887	-29,544	-96,425	22,055
V. Gross income	447,782	572,192	645,146	177,159	340,821	506,454	645,146	46,928
VI. Operating income	35,304	185,040	265,509	84,355	150,453	220,265	265,509	14,308
VII. Earnings from continuous activities	-12,057	140,805	192,467	66,720	121,661	175,824	192,467	11,622
VIII. Net earnings of the period	-12,057	140,805	192,467	66,720	121,661	175,824	192,467	11,622

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.
2 Available data: January 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	2013 IV	2014 I	II	III	IV
TOTAL								
Total	21,318	192,753	200,010	192,753	63,697	112,779	165,322	200,010
Money market assets and public debt	18,936	17,163	12,342	17,163	4,410	6,993	9,618	12,342
Other fixed-income securities	16	55,096	31,631	55,096	11,962	17,253	24,840	31,631
Domestic portfolio	-14,813	42,328	23,038	42,328	7,588	9,786	16,820	23,038
Foreign portfolio	14,829	12,768	8,593	12,768	4,374	7,467	8,020	8,593
Equities	356,595	17,869	800,035	17,869	137,295	534,591	635,288	800,035
Domestic portfolio	8,003	44,517	112,635	44,517	30,193	68,998	106,074	112,635
Foreign portfolio	348,592	-26,648	687,400	-26,648	107,102	465,593	529,214	687,400
Derivatives	-308,833	207,347	-565,800	207,347	-145,356	-502,994	-486,606	-565,800
Repurchase agreements	-3,871	1,378	345	1,378	168	298	336	345
Market credit transactions	0	0	0	0	0	0	1	0
Deposits and other transactions with financial Intermediaries	5,383	3,405	1,205	3,405	475	-47	279	1,205
Net exchange differences	-37,363	-149,034	-110,807	-149,034	49,363	43,447	-39,367	-110,807
Other operating products and expenses	8,841	10,565	14,384	10,565	2,735	6,441	9,822	14,384
Other transactions	-18,386	28,964	16,675	28,964	2,645	6,797	11,111	16,675
INTEREST INCOME								
Total	56,160	67,333	74,177	67,333	7,821	25,055	59,670	74,177
Money market assets and public debt	4,055	4,356	2,123	4,356	731	1,265	1,811	2,123
Other fixed-income securities	17,089	4,572	3,371	4,572	1,268	2,275	3,017	3,371
Domestic portfolio	15,180	3,149	2,147	3,149	971	1,593	2,024	2,147
Foreign portfolio	1,909	1,423	1,224	1,423	297	682	993	1,224
Equities	35,220	40,163	63,460	40,163	4,954	18,630	50,485	63,460
Domestic portfolio	19,064	14,672	28,679	14,672	16	6,737	17,377	28,679
Foreign portfolio	16,156	25,491	34,781	25,491	4,938	11,893	33,108	34,781
Repurchase agreements	-3,871	1,378	345	1,378	168	298	336	345
Market credit transactions	0	0	0	0	0	0	1	0
Deposits and other transactions with financial Intermediaries	5,383	3,405	1,205	3,405	475	-47	279	1,205
Other transactions	-1,716	13,459	3,673	13,459	225	2,634	3,741	3,673
FINANCIAL INVEST INCOME								
Total	9,404	256,109	222,077	256,109	2,765	36,828	135,611	222,077
Money market assets and public debt	14,881	12,807	10,219	12,807	3,679	5,728	7,807	10,219
Other fixed-income securities	-17,073	50,524	28,260	50,524	10,694	14,978	21,823	28,260
Domestic portfolio	-29,993	39,179	20,891	39,179	6,617	8,193	14,796	20,891
Foreign portfolio	12,920	11,345	7,369	11,345	4,077	6,785	7,027	7,369
Equities	321,375	-22,294	736,575	-22,294	132,341	515,961	584,803	736,575
Domestic portfolio	-11,061	29,845	83,956	29,845	30,177	62,261	88,697	83,956
Foreign portfolio	332,436	-52,139	652,619	-52,139	102,164	453,700	496,106	652,619
Derivatives	-308,833	207,347	-565,800	207,347	-145,356	-502,994	-486,606	-565,800
Other transactions	-946	7,725	12,823	7,725	1,407	3,155	7,784	12,823
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	-44,246	-130,689	-96,244	-130,689	53,111	50,896	-29,959	-96,244
Net exchange differences	-37,363	-149,034	-110,807	-149,034	49,363	43,447	-39,367	-110,807
Other operating products and expenses	8,841	10,565	14,384	10,565	2,735	6,441	9,822	14,384
Other transactions	-15,724	7,780	179	7,780	1,013	1,008	-414	179

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

				2014				2015
Thousand euro[1]	2012	2013	2014	I	II	III	IV	I[2]
I. Interest income	1,912	1,799	1,119	284	615	844	1,119	61
II. Net commission	93,246	110,422	120,634	30,650	63,355	90,974	120,634	8,860
Commission revenues	108,198	130,738	147,137	36,017	75,553	109,352	147,137	10,206
Brokering	38,112	40,196	41,745	14,456	25,577	33,728	41,745	2,876
Placement and underwriting	3,128	4,715	8,129	634	3,851	6,366	8,129	289
Securities deposit and recording	576	505	567	101	311	474	567	17
Portfolio management	14,476	16,267	15,062	3,624	6,995	9,650	15,062	795
Design and advising	3,123	5,894	7,576	1,377	2,803	4,183	7,576	424
Stocks search and placement	88	55	0	0	0	0	0	0
Market credit transactions	30	11	0	0	0	0	0	0
IICs[3] marketing	25,949	35,823	46,565	9,705	21,667	33,200	46,565	3,888
Other	22,715	27,272	27,493	6,120	14,350	21,751	27,493	1,919
Commission expenses	14,952	20,316	26,503	5,366	12,198	18,378	26,503	1,346
III. Financial investment income	1,255	5	775	203	565	674	775	463
IV. Net exchange differences and other operating products and expenses	-1,459	-1,633	1,102	-261	-664	-691	1,102	125
V. Gross income	94,954	110,593	123,626	30,874	63,871	91,801	123,626	9,509
VI. Operating income	4,598	18,422	24,366	6,871	14,609	19,689	24,366	2,559
VII. Earnings from continuous activities	3,583	14,321	19,922	6,490	13,799	18,281	19,922	2,451
VIII. Net earnings of the period	3,583	14,321	19,922	6,490	13,799	18,281	19,922	2,451

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.
2 Available data: January 2015.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Aggregated income statement. Portfolio management companies

TABLE 2.10

				2014				2015
Thousand euro[1]	2012	2013	2014	I	II	III	IV	I[2]
I. Interest income	733	667	574	174	125	443	574	32
II. Net commission	7,879	9,362	11,104	2,202	4,635	7,182	11,104	793
Commission revenues	17,887	18,603	15,411	2,753	5,861	9,553	15,411	1,156
Portfolio management	16,307	17,028	13,572	2,167	5,035	8,239	13,572	927
Design and advising	1,579	1,575	849	458	514	683	849	106
IICs[3] marketing	0	0	0	0	0	0	0	0
Other	0	0	990	128	312	630	990	123
Commission expenses	10,008	9,241	4,307	551	1,226	2,371	4,307	363
III. Financial investment income	4	9	-6	23	46	38	-6	5
IV. Net exchange differences and other operating products and expenses	-1	-32	-237	-48	57	-238	-237	56
V. Gross income	8,615	10,006	11,435	2,351	4,863	7,425	11,435	886
VI. Operating income	1,406	3,554	5,860	1,088	1,930	3,328	5,860	551
VII. Earnings from continuous activities	953	2,472	4,135	770	1,380	2,367	4,135	393
VIII. Net earnings of the period	953	2,472	4,135	770	1,380	2,367	4,135	393

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.
2 Available data: January 2015.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Capital adequacy and capital ratio[1,2]

TABLE 2.11

	2012	2013	2014	2013 IV	2014 I	II	III	IV[3]
TOTAL								
Total capital ratio[4]	–	–	40.21	–	38.52	40.80	40.87	40.21
Own funds surplus (thousand euro)	1,085,783	1,033,669	1,056,302	1,033,669	1,042,993	1,097,539	1,096,551	1,056,302
Surplus (%)[5]	300.76	322.58	402.57	322.58	381.50	409.97	410.88	402.57
Number of companies according to its surplus percentage								
≤100%	37	34	12	34	11	12	13	12
>100- ≤300%	24	22	26	22	30	28	27	26
>300- ≤500%	17	17	10	17	12	14	14	10
>500%	15	14	22	14	22	22	23	22
BROKER-DEALERS								
Total capital ratio[4]	–	–	40.61	–	38.97	41.55	41.53	40.61
Own funds surplus (thousand euro)	1,017,597	960,624	981,620	960,624	959,876	1,016,882	1,016,378	981,620
Surplus (%)[5]	329.03	367.43	407.60	367.43	387.08	419.42	419.16	407.60
Number of companies according to its surplus percentage								
≤100%	7	9	4	9	4	4	3	4
>100- ≤300%	17	11	15	11	15	14	15	15
>300- ≤500%	12	13	5	13	5	6	7	5
>500%	10	8	14	8	16	16	16	14
BROKERS								
Total capital ratio[4]	–	–	25.20	–	25.51	24.45	24.61	25.20
Own funds surplus (thousand euro)	53,531	62,199	42,247	62,199	51,816	48,343	46,951	42,247
Surplus (%)[5]	161.23	164.46	215.04	164.46	218.82	205.58	207.62	215.04
Number of companies according to its surplus percentage								
≤100%	27	22	8	22	7	8	10	8
>100- ≤300%	6	10	10	10	13	12	10	10
>300- ≤500%	4	3	5	3	7	8	7	5
>500%	4	6	5	6	3	3	4	5
PORTFOLIO MANAGEMENT COMPANIES								
Total capital ratio[4]	–	–	143.48	–	152.19	156.03	156.51	143.48
Own funds surplus (thousand euro)	14,655	10,846	32,436	10,846	31,301	32,314	33,222	32,436
Surplus (%)[5]	79.01	51.21	1,693.45	51.21	1,802.32	1,850.39	1,856.33	1,693.45
Number of companies according to its surplus percentage								
≤100%	3	3	0	3	0	0	0	0
>100- ≤300%	1	1	1	1	2	2	2	1
>300- ≤500%	1	1	0	1	0	0	0	0
>500%	1	0	3	0	3	3	3	3

1 On January 1st 2014 entered into force the Regulation (EU) N º 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, which has changed the own funds requirements calculation.
2 Since January 2014 only the entities subject to reporting requirements are included, according to Circular 2/2014, of 23 June, of the Comisión Nacional del Mercado de Valores, on the exercise of various regulatory options regarding solvency requirements for investment firms and their consolidated groups.
3 Provisional data.
4 Total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount. This ratio should not be under 8%.
5 Average surplus percentage is weighted by the required equity of each company. It is an indicator of the number of times, in percentage terms, that the surplus contains the required equity in an average company.

Return on equity (ROE) before taxes[1]

TABLE 2.12

	2012	2013	2014	2013 IV	2014 I	II	III	IV
TOTAL								
Average (%)[2]	3.19	16.49	22.83	16.49	25.56	23.82	23.54	22.83
Number of companies according to its annualized return								
Losses	31	13	11	13	15	13	13	11
0-≤15%	33	37	30	37	32	29	31	30
>15-≤45%	24	22	23	22	23	26	27	23
>45-≤75%	3	9	11	9	8	9	7	11
>75%	2	6	8	6	8	8	8	8
BROKER-DEALERS								
Average (%)[2]	2.97	16.39	23.04	16.39	25.96	23.73	23.87	23.04
Number of companies according to its annualized return								
Losses	14	5	4	5	5	2	3	4
0-≤15%	18	15	18	15	17	16	18	18
>15-≤45%	11	16	11	16	11	16	13	11
>45-≤75%	2	4	5	4	5	4	4	5
>75%	1	1	2	1	3	2	3	2
BROKERS								
Average (%)[2]	6.25	19.34	22.18	19.34	24.77	29.45	23.06	22.18
Number of companies according to its annualized return								
Losses	15	8	7	8	10	11	10	7
0-≤15%	11	18	11	18	12	10	11	11
>15-≤45%	13	5	8	5	10	8	11	8
>45-≤75%	1	5	6	5	3	5	3	6
>75%	1	5	6	5	5	6	5	6
PORTFOLIO MANAGEMENT COMPANIES								
Average (%)[2]	6.59	11.41	16.95	11.41	12.55	11.16	12.83	16.95
Number of companies according to its annualized return								
Losses	2	0	0	0	0	0	0	0
0-≤15%	4	4	1	4	3	3	2	1
>15-≤45%	0	1	4	1	2	2	3	4
>45-≤75%	0	0	0	0	0	0	0	0
>75%	0	0	0	0	0	0	0	0

1 ROE has been calculated as:

$$ROE = \frac{Earnings\_before\_taxes\_(annualized)}{Own\_Funds}$$

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

2 Average weighted by equity, %.

Financial advisory firms. Main figures

TABLE 2.13

Thousand euro	2012	2013	2014	2013 I	II	2014 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.
2 Accumulated data from the beginning of the year to the last day of every semester.

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

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

TABLE 3.1

				2014				2015
	2012	2013	2014	I	II	III	IV	I[1]
Total financial IICs	5,246	5,129	5,232	5,156	5,176	5,208	5,232	5,235
Mutual funds	2,205	2,043	1,949	2,049	2,012	1,973	1,949	1,931
Investment companies	2,981	3,035	3,228	3,058	3,114	3,182	3,228	3,250
Funds of hedge funds	24	22	18	21	20	20	18	18
Hedge funds	36	29	37	28	30	33	37	36
Total real estate IICs	14	16	11	16	15	15	11	10
Real estate mutual funds	6	6	4	6	6	6	4	3
Real estate investment companies	8	10	7	10	9	9	7	7
Total foreign IICs marketed in Spain	754	782	805	796	802	810	805	824
Foreign funds marketed in Spain	421	409	405	414	416	415	405	408
Foreign companies marketed in Spain	333	373	400	382	386	395	400	416
Management companies	105	96	96	96	97	96	96	96
IIC depositories	84	77	70	76	74	75	70	69

1 Available data: February 2015.

Number of IICs investors and shareholders

TABLE 3.2

				2014				2015
	2012	2013	2014	I	II	III	IV[1]	I[2]
Total financial IICs	4,815,628	5,463,820	6,859,555	5,831,525	6,241,005	6,572,696	6,859,555	7,024,561
Mutual funds	4,410,763	5,050,556	6,409,344	5,409,951	5,813,853	6,134,324	6,409,345	6,569,363
Investment companies	404,865	413,264	450,211	421,574	427,152	438,372	450,211	455,198
Total real estate IICs	26,155	6,773	4,866	5,849	5,142	5,139	4,866	4,873
Real estate mutual funds	25,218	5,750	4,021	4,798	4,090	4,093	4,021	4,027
Real estate investment companies	937	1,023	845	1,051	1,052	1,046	845	846
Total foreign IICs marketed in Spain[3]	819,485	1,067,708	1,317,674	1,037,958	1,263,915	1,233,232	1,317,674	–
Foreign funds marketed in Spain	163,805	204,067	230,104	194,846	228,201	219,098	230,104	–
Foreign companies marketed in Spain	655,680	863,641	1,087,570	843,112	1,035,714	1,014,134	1,087,570	–

1 Provisional data for foreign IICs.
2 Available data: January 2015.
3 Exchange traded funds (ETFs) data is not included.

IICs total net assets

TABLE 3.3

				2014				2015
Million euro	2012	2013	2014	I	II	III	IV[1]	I[2]
Total financial IICs	147,722.2	184,300.9	230,205.7	198,351.8	212,946.1	223,212.3	230,205.7	236,956.6
Mutual funds[3]	124,040.4	156,680.1	198,718.8	169,513.6	182,735.8	192,199.6	198,718.8	204,379.8
Investment companies	23,681.8	27,620.8	31,486.9	28,838.2	30,210.3	31,012.7	31,486.9	32,576.8
Total real estate IICs	4,485.5	4,536.2	1,226.3	4,464.0	4,354.7	4,317.5	1,226.3	2,727.5
Real estate mutual funds	4,201.5	3,682.6	419.8	3,614.7	3,525.8	3,495.1	419.8	418.1
Real estate investment companies	284.1	853.7	806.5	849.3	828.9	822.4	806.5	2,309.4
Total foreign IICs marketed in Spain[4]	38,075.3	54,727.2	78,904.3	60,859.6	68,004.5	72,631.0	78,904.3	–
Foreign funds marketed in Spain	6,271.5	8,523.2	11,166.0	9,151.9	9,613.9	10,344.7	11,166.0	–
Foreign companies marketed in Spain	31,803.8	46,204.0	67,738.3	51,707.6	58,390.6	62,286.3	67,738.3	–

1 Provisional data for foreign IICs.
2 Available data: January 2015.
3 For December 2014, mutual funds investments in financial IICs reached 5.7 billion euro.
4 Exchange traded funds (ETFs) data is not included.

a IICs: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.
b In this document, neither hedge funds nor funds of hedge funds are included in the figures referred to mutual funds.

Mutual funds asset allocation[1]

TABLE 3.4

Million euro	2012	2013	2014	2013 IV	2014 I	II	III	IV[2]
Asset	124,040.4	156,680.1	198,718.8	156,680.1	169,513.6	182,735.8	192,199.6	198,718.8
Portfolio investment	118,446.5	149,343.3	187,693.9	149,343.3	161,847.5	174,368.0	181,660.6	187,693.9
Domestic securities	82,929.6	108,312.7	114,644.5	108,312.7	113,479.1	118,229.2	118,676.1	114,644.5
Debt securities	65,999.1	79,480.4	79,694.4	79,480.4	82,222.1	84,391.7	83,033.8	79,694.4
Shares	3,140.8	5,367.4	8,448.0	5,367.4	6,479.8	7,685.0	8,287.4	8,448.0
Investment collective schemes	3,170.7	4,498.1	6,065.3	4,498.1	4,973.1	5,432.6	5,580.8	6,065.3
Deposits in Credit institutions	10,333.3	18,443.7	19,927.4	18,443.7	19,264.4	20,102.2	21,150.6	19,927.4
Derivatives	285.7	523.0	495.4	523.0	523.3	602.4	609.3	495.4
Other	0.0	0.0	14.0	0.0	16.3	15.2	14.1	14.0
Foreign securities	35,512.7	41,029.5	73,048.3	41,029.5	48,367.5	56,138.0	62,983.2	73,048.3
Debt securities	20,493.9	20,312.8	38,582.2	20,312.8	24,821.9	28,967.5	33,079.9	38,582.2
Shares	7,668.6	11,034.2	13,042.9	11,034.2	12,343.9	13,379.4	13,201.6	13,042.9
Investment collective schemes	7,112.3	9,286.0	20,863.9	9,286.0	10,747.8	13,266.4	16,032.9	20,863.9
Deposits in Credit institutions	45.8	45.6	243.3	45.6	37.6	37.9	238.8	243.3
Derivatives	191.6	350.9	310.6	350.9	410.9	481.3	424.4	310.6
Other	0.6	0.0	5.4	0.0	5.5	5.5	5.6	5.4
Doubtful assets and matured investment	4.2	1.2	1.2	1.2	0.9	0.8	1.3	1.2
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	7,062.3	7,651.2	8,485.2	10,342.1	10,895.0
Net balance (Debtors - Creditors)	219.2	274.4	129.9	274.4	14.9	-117.3	196.8	129.9

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

Investment companies asset allocation

TABLE 3.5

Million euro	2012	2013	2014	2013 IV	2014 I	II	III	IV[1]
Asset	23,681.8	27,620.8	31,486.9	27,620.8	28,838.2	30,210.3	31,012.7	31,486.9
Portfolio investment	22,512.4	26,105.6	29,080.6	26,105.6	27,223.3	28,425.9	28,549.7	29,080.6
Domestic securities	11,568.0	12,118.9	11,063.7	12,118.9	12,081.9	12,086.1	11,564.0	11,063.7
Debt securities	6,021.4	6,304.3	5,115.9	6,304.3	6,253.8	5,964.2	5,286.4	5,115.9
Shares	2,271.7	3,005.5	3,324.4	3,005.5	3,184.6	3,372.5	3,457.5	3,324.4
Investment collective schemes	701.0	1,134.9	1,433.0	1,134.9	1,317.5	1,462.4	1,486.0	1,433.0
Deposits in Credit institutions	2,531.9	1,645.4	1,169.3	1,645.4	1,298.4	1,256.8	1,306.6	1,169.3
Derivatives	7.7	1.4	-10.8	1.4	-1.8	-1.5	-3.3	-10.8
Other	34.3	27.4	31.9	27.4	29.3	31.8	30.9	31.9
Foreign securities	10,940.2	13,985.1	18,015.2	13,985.1	15,137.9	16,337.0	16,982.7	18,015.2
Debt securities	2,489.2	2,613.7	3,897.1	2,613.7	2,963.3	3,352.8	3,568.2	3,897.1
Shares	3,587.8	5,085.5	6,227.7	5,085.5	5,476.2	5,822.3	6,004.4	6,227.7
Investment collective schemes	4,700.2	6,119.8	7,784.2	6,119.8	6,559.8	7,026.6	7,285.8	7,784.2
Deposits in Credit institutions	14.0	5.5	2.3	5.5	6.3	4.7	0.8	2.3
Derivatives	147.1	152.5	94.4	152.5	124.2	122.4	115.7	94.4
Other	1.8	8.1	9.5	8.1	8.1	8.2	7.8	9.5
Doubtful assets and matured investment	4.3	1.5	1.7	1.5	3.5	2.7	2.9	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	1,302.0	1,408.3	1,605.4	2,153.9	2,197.7
Net balance (Debtors - Creditors)	209.6	213.1	208.5	213.1	206.5	178.9	309.0	208.5

1 Provisional data.

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

TABLE 3.6

				2014				2015
	2012	2013	2014	I	II	III	IV	I[2]
NO. OF FUNDS								
Total financial mutual funds	2,185	2,045	1,951	2,037	2,023	1,959	1,951	1,950
Fixed-income[3]	454	384	359	374	375	367	359	354
Mixed fixed-income[4]	125	122	123	119	119	117	123	123
Mixed equity[5]	117	128	131	127	126	125	131	131
Euro equity	127	108	103	103	104	103	103	108
Foreign equity	211	193	191	190	190	186	191	193
Guaranteed fixed-income	398	374	280	355	336	303	280	278
Guaranteed equity[6]	361	308	273	307	297	275	273	268
Global funds	192	162	162	160	163	165	162	163
Passive management	85	169	227	205	217	222	227	232
Absolute return	115	97	102	97	96	96	102	100
INVESTORS								
Total financial mutual funds	4,410,771	5,050,719	6,409,806	5,410,205	5,814,175	6,134,711	6,409,806	6,569,829
Fixed-income[3]	1,261,634	1,508,009	1,941,567	1,612,002	1,712,748	1,818,308	1,941,567	2,003,481
Mixed fixed-income[4]	188,574	240,676	603,099	314,879	425,424	506,220	603,099	649,060
Mixed equity[5]	138,096	182,223	377,265	211,810	252,255	313,796	377,265	394,214
Euro equity	220,450	293,193	381,822	323,474	347,335	384,252	381,822	382,414
Foreign equity	398,664	457,606	705,055	531,270	601,531	651,495	705,055	738,185
Guaranteed fixed-income	1,075,852	1,002,458	669,448	871,622	796,983	744,545	669,448	657,079
Guaranteed equity[6]	727,880	608,051	557,030	613,296	602,530	577,616	557,030	537,406
Global funds	101,321	128,741	223,670	146,223	168,796	195,290	223,670	237,908
Passive management	125,003	441,705	686,526	575,262	673,166	692,827	686,526	693,171
Absolute return	173,297	188,057	264,324	210,367	233,407	250,362	264,324	276,911
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	124,040.4	156,680.1	198,718.8	169,513.6	182,735.8	192,199.6	198,718.8	204,379.8
Fixed-income[3]	40,664.6	55,058.9	70,330.9	59,381.8	62,740.7	66,841.2	70,330.9	71,680.2
Mixed fixed-income[4]	5,500.9	8,138.0	24,314.3	10,600.2	15,666.0	19,917.0	24,314.3	26,482.1
Mixed equity[5]	3,179.9	6,312.4	13,570.4	7,648.6	9,242.9	11,668.9	13,570.4	14,203.6
Euro equity	5,270.2	8,632.8	8,401.5	7,753.1	8,601.7	8,693.6	8,401.5	8,560.9
Foreign equity	6,615.0	8,849.0	12,266.4	11,693.7	12,426.8	12,151.9	12,266.4	13,094.9
Guaranteed fixed-income	36,445.0	31,481.2	20,417.0	27,529.5	24,920.1	23,122.1	20,417.0	20,015.5
Guaranteed equity[6]	14,413.2	12,503.8	12,196.4	12,810.3	12,940.7	12,497.2	12,196.4	12,074.3
Global funds	4,358.6	4,528.1	6,886.3	5,007.9	5,650.3	6,255.6	6,886.3	7,349.1
Passive management	2,991.2	16,515.9	23,837.5	21,847.0	24,898.6	24,971.5	23,837.5	23,992.5
Absolute return	4,601.9	4,659.9	6,498.1	5,241.5	5,648.0	6,080.4	6,498.1	6,926.8

1 Sub-funds which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: January 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	I	II	III	IV	I[1]
INVESTORS								
Total financial mutual funds	4,410,771	5,050,719	6,409,806	5,410,205	5,814,175	6,134,711	6,409,806	6,569,829
Individuals	4,293,071	4,906,380	6,235,148	5,254,889	5,649,064	5,964,341	6,235,148	6,393,688
Residents	4,237,534	4,848,184	6,170,201	5,194,854	5,587,276	5,900,929	6,170,201	6,327,785
Non-residents	55,537	58,196	64,947	60,035	61,788	63,412	64,947	65,903
Legal entities	117,700	144,339	174,658	155,316	165,111	170,370	174,658	176,141
Credit Institutions	473	521	493	589	590	608	493	500
Other resident Institutions	116,589	143,083	173,351	153,950	163,695	168,950	173,351	174,824
Non-resident Institutions	638	735	814	777	826	812	814	817
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	124,040.4	156,680.1	198,718.8	169,513.6	182,735.8	192,199.6	198,718.8	204,379.8
Individuals	101,963.8	125,957.2	159,423.5	135,612.9	145,852.7	153,655.2	159,423.5	164,295.4
Residents	100,515.7	124,175.3	157,135.2	133,674.6	143,752.0	151,456.3	157,135.2	161,948.2
Non-residents	1,448.0	1,781.9	2,288.3	1,938.3	2,100.7	2,198.9	2,288.3	2,347.2
Legal entities	22,076.6	30,722.9	39,295.4	33,900.7	36,883.2	38,544.3	39,295.4	40,084.4
Credit Institutions	1,075.4	547.6	459.8	519.0	524.5	528.3	459.8	618.4
Other resident Institutions	20,657.1	29,743.3	38,245.2	32,922.7	35,871.5	37,486.3	38,245.2	38,840.9
Non-resident Institutions	344.1	431.9	590.4	459.0	487.1	529.8	590.4	625.1

1 Available data: January 2015.

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

TABLE 3.8

				2013	2014			
Million euro	2012	2013	2014	IV	I	II	III	IV[1]
SUBSCRIPTIONS								
Total financial mutual funds	51,006.7	91,115.7	136,161.2	29,650.2	34,856.3	32,927.4	31,564.2	36,813.3
Fixed-income	32,924.2	50,154.7	65,698.5	14,459.2	16,218.9	15,222.9	15,127.6	19,129.1
Mixed fixed-income	1,440.2	4,569.8	21,675.7	2,009.3	3,126.7	5,853.9	5,919.4	6,775.7
Mixed equity	590.0	3,021.8	8,991.2	1,473.2	1,615.8	1,973.9	2,856.4	2,545.1
Euro equity	1,257.5	4,082.8	6,702.0	1,722.5	1,921.3	1,665.8	1,536.4	1,578.5
Foreign equity	1,693.8	3,697.4	5,843.2	1,187.7	1,425.9	1,323.2	1,325.8	1,768.3
Guaranteed fixed-income	7,976.3	5,964.0	847.8	335.4	287.2	125.2	141.2	294.2
Guaranteed equity	1,420.7	1,937.5	3,684.6	441.0	1,141.2	966.6	697.3	879.5
Global funds	1,270.9	2,175.2	3,752.9	738.7	766.5	836.4	939.5	1,210.5
Passive management	1,402.2	13,627.5	15,081.3	6,693.8	7,394.1	4,087.3	2,083.0	1,516.9
Absolute return	1,031.0	1,885.0	3,884.4	589.5	958.7	872.3	937.7	1,115.7
REDEMPTIONS								
Total financial mutual funds	63,744.4	66,982.7	100,188.5	20,845.9	24,786.4	22,161.4	22,735.9	30,504.8
Fixed-income	38,767.8	36,371.6	52,205.8	10,072.8	12,585.6	12,265.9	11,449.0	15,905.3
Mixed fixed-income	2,215.4	2,510.5	5,963.7	867.0	803.2	952.2	1,815.7	2,392.6
Mixed equity	973.1	1,139.9	2,423.5	441.0	407.0	534.8	506.7	975.0
Euro equity	1,421.2	2,352.5	4,517.1	696.7	966.3	882.9	1,075.8	1,592.1
Foreign equity	2,114.4	2,797.2	5,311.4	757.7	1,003.1	946.7	1,471.4	1,890.2
Guaranteed fixed-income	8,829.3	10,433.2	11,301.4	4,041.7	4,050.6	2,787.9	1,848.7	2,614.2
Guaranteed equity	4,944.2	4,007.7	4,594.1	784.0	1,164.9	1,010.0	1,263.3	1,155.9
Global funds	1,278.4	1,327.8	1,570.6	450.0	352.8	301.9	362.9	553.0
Passive management	830.1	4,089.3	10,110.4	2,175.2	3,036.8	2,002.4	2,426.8	2,644.4
Absolute return	2,370.4	1,952.8	2,190.5	559.6	416.0	476.7	515.5	782.3

1 Estimated data.

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

TABLE 3.9

				2013	2014			
Million euro	2012	2013	2014	IV	I	II	III	IV
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	-14,597.3	24,086.2	35,794.5	8,808.9	10,082.0	10,766.6	8,666.6	6,279.3
Fixed-income	-7,739.7	13,405.0	13,821.0	4,411.2	3,831.2	2,955.3	3,746.7	3,287.8
Mixed fixed-income	-18.8	2,369.7	15,689.2	1,149.4	2,319.5	4,897.1	4,123.4	4,349.2
Mixed equity	35.8	2,673.3	6,842.3	1,340.6	1,216.3	1,441.5	2,350.5	1,834.0
Euro equity	-115.4	1,733.5	-338.3	1,025.9	-1,220.2	607.3	288.8	-14.2
Foreign equity	-425.3	865.9	2,715.6	434.9	2,605.7	389.7	-148.1	-131.7
Guaranteed fixed-income	-338.8	-6,717.5	-11,761.5	-4,318.7	-4,399.8	-2,796.8	-1,889.9	-2,675.0
Guaranteed equity	-4,225.9	-2,689.1	-651.7	-491.2	149.1	-72.9	-491.0	-236.9
Global funds	-1,021.0	-176.7	2,110.3	40.2	400.7	554.9	563.3	591.4
Passive management	823.8	12,675.2	5,632.0	5,196.4	4,636.7	2,423.8	-299.1	-1,129.4
Absolute return	-1,571.9	-53.2	1,735.6	20.0	542.8	366.7	422.0	404.1
RETURN ON ASSETS								
Total financial mutual funds	6,289.3	8,566.5	6,260.3	2,703.1	2,757.7	2,456.0	806.6	240.0
Fixed-income	1,459.6	990.0	1,451.7	266.9	492.0	403.8	354.0	201.9
Mixed fixed-income	266.1	267.6	487.2	115.2	142.6	168.9	127.6	48.1
Mixed equity	238.2	459.3	415.5	188.5	119.8	152.8	75.4	67.5
Euro equity	558.8	1,629.1	107.0	585.5	340.4	241.4	-196.9	-277.9
Foreign equity	759.1	1,368.1	701.7	446.5	239.0	343.4	-126.8	246.1
Guaranteed fixed-income	1,727.4	1,754.3	697.3	295.3	448.1	187.4	92.0	-30.2
Guaranteed equity	624.5	779.8	344.5	227.8	157.5	203.3	47.6	-63.9
Global funds	274.9	346.2	248.0	135.1	79.1	87.5	42.0	39.4
Passive management	196.8	861.0	1,704.8	393.0	700.3	627.8	381.3	-4.6
Absolute return	184.1	111.1	102.7	49.4	38.9	39.8	10.4	13.6

Financial mutual funds return on assets. Detail by category

TABLE 3.10

% of daily average total net assets	2012	2013	2014	2013 IV	2014 I	II	III	IV
MANAGEMENT YIELDS								
Total financial mutual funds	6.03	7.37	4.84	2.05	1.97	1.68	0.71	0.39
Fixed-income	4.33	2.96	3.20	0.70	1.06	0.86	0.76	0.49
Mixed fixed-income	6.05	5.20	5.16	1.87	1.86	1.63	1.06	0.53
Mixed equity	9.20	11.84	6.46	3.72	2.09	2.24	1.09	0.90
Euro equity	12.84	28.36	4.00	7.93	5.32	3.54	-1.82	-2.86
Foreign equity	13.51	21.47	8.38	5.82	2.64	3.46	-0.52	2.59
Guaranteed fixed-income	5.30	5.80	3.52	1.09	1.81	0.95	0.63	0.09
Guaranteed equity	5.26	7.34	4.08	2.05	1.60	1.94	0.71	-0.22
Global funds	7.80	9.86	6.07	3.51	2.01	1.99	1.01	0.93
Passive management	7.99	9.84	8.80	2.99	3.79	2.87	1.73	0.16
Absolute return	4.93	3.61	3.11	1.39	1.07	1.02	0.49	0.50
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.94	0.98	0.98	0.25	0.24	0.24	0.25	0.25
Fixed-income	0.66	0.68	0.70	0.16	0.17	0.17	0.18	0.18
Mixed fixed-income	1.10	1.13	1.19	0.29	0.29	0.30	0.30	0.29
Mixed equity	1.51	1.51	1.42	0.36	0.36	0.36	0.35	0.35
Euro equity	1.77	1.85	1.80	0.47	0.47	0.44	0.44	0.43
Foreign equity	1.74	1.83	1.78	0.46	0.43	0.44	0.45	0.45
Guaranteed fixed-income	0.79	0.86	0.88	0.22	0.22	0.22	0.22	0.22
Guaranteed equity	1.23	1.25	1.20	0.32	0.30	0.30	0.30	0.29
Global funds	1.01	1.32	1.20	0.36	0.32	0.30	0.29	0.29
Passive management	0.81	0.72	0.64	0.19	0.16	0.16	0.16	0.16
Absolute return	1.03	1.13	1.07	0.29	0.28	0.27	0.26	0.27
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	0.02	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	2013 IV	2014 I	II	III	IV
Total financial mutual funds	5.50	6.50	3.67	1.85	1.71	1.41	0.43	0.08
Fixed-income	3.54	2.28	2.41	0.54	0.89	0.67	0.55	0.28
Mixed fixed-income	4.95	4.16	3.67	1.62	1.57	1.34	0.71	0.01
Mixed equity	7.83	10.85	4.70	3.52	1.69	1.89	0.77	0.28
Euro equity	12.31	28.06	2.09	7.99	5.01	3.04	-2.35	-3.38
Foreign equity	13.05	20.30	6.61	5.54	2.22	2.92	-0.91	2.27
Guaranteed fixed-income	4.85	4.96	2.54	0.89	1.56	0.71	0.39	-0.14
Guaranteed equity	5.07	6.15	2.64	1.83	1.26	1.59	0.38	-0.60
Global funds	7.44	8.71	4.63	3.25	1.65	1.69	0.68	0.54
Passive management	7.10	8.88	7.74	2.58	3.45	2.64	1.49	-0.02
Absolute return	3.84	2.46	1.98	1.04	0.82	0.75	0.18	0.22

Hedge funds and funds of hedge funds

TABLE 3.12

	2011	2012	2013	2013 IV	2014 I	II	III	IV[1]
HEDGE FUNDS								
Investors/shareholders	2,047	2,427	2,415	2,415	2,513	2,631	2,627	2,605
Total net assets (million euro)	728.1	918.6	1,036.7	1,036.7	1,172.4	1,261.5	1,353.0	1,366.0
Subscriptions (million euro)	201.1	347.6	401.7	97.0	134.5	125.1	196.4	88.2
Redemptions (million euro)	92.5	212.7	414.3	95.7	44.1	58.5	89.6	73.6
Net subscriptions/redemptions (million euro)	108.6	134.8	-12.6	1.3	90.4	66.6	106.8	14.6
Return on assets (million euro)	-26.5	55.7	130.0	40.5	45.3	22.5	-15.3	-1.6
Returns (%)	-2.56	7.17	16.48	5.41	4.21	1.97	-0.98	-0.15
Management yields (%)[2]	-1.88	8.00	17.22	4.64	5.02	2.53	-0.83	0.19
Management fee (%)[2]	1.66	1.38	2.87	0.74	0.94	0.50	0.35	0.22
Financial expenses (%)[2]	0.06	0.04	0.04	0.01	0.01	0.01	0.13	0.11
FUNDS OF HEDGE FUNDS								
Investors/shareholders	3,805	3,338	3,022	3,022	2,994	2,972	2,737	2,743
Total net assets (million euro)	573.0	540.0	350.3	350.3	352.1	354.0	367.5	355.7
Subscriptions (million euro)	10.6	23.6	4.9	0.4	1.5	1.5	4.0	–
Redemptions (million euro)	120.1	74.3	215.2	76.3	2.0	4.5	5.9	–
Net subscriptions/redemptions (million euro)	-109.6	-50.8	-210.3	-75.9	-0.5	-3.0	-1.9	–
Return on assets (million euro)	-12.3	17.6	20.6	7.9	2.3	4.9	15.5	–
Returns (%)	-1.71	0.88	4.39	1.89	0.66	1.42	4.42	0.57
Management yields (%)[3]	-0.47	4.56	5.78	2.28	1.0	1.73	4.66	–
Management fee (%)[3]	1.25	1.28	1.28	0.33	0.27	0.28	0.27	–
Depository fee (%)[3]	0.08	0.08	0.08	0.02	0.02	0.02	0.02	–

1 Available data: November 2014. Return refers to the period September-November.
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

	2012	2013	2014	2014 I	II	III	IV	2015 I[2]
NUMBER OF PORTFOLIOS[3]								
Mutual funds	2,205	2,043	1,949	2,049	2,012	1,973	1,949	1,939
Investment companies	2,922	2,975	3,164	3,000	3,053	3,119	3,164	3,177
Funds of hedge funds	24	22	18	21	20	20	18	18
Hedge funds	35	29	35	27	28	31	35	35
Real estate mutual funds	6	6	4	6	6	6	4	3
Real estate investment companies	8	10	7	10	9	9	7	8
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	124,040.4	156,680.1	198,718.8	169,513.6	182,735.8	192,199.6	198,718.8	204,379.8
Investment companies	23,011.0	26,830.1	30,613.8	28,007.0	29,395.0	30,149.9	30,613.8	31,665.8
Funds of hedge funds[4]	539.9	350.3	355.7	352.1	354.0	367.6	355.7	–
Hedge funds[4]	881.4	1,036.6	1,324.6	1,138.4	1,221.1	1,312.0	1,324.6	–
Real estate mutual funds	4,201.5	3,682.6	419.8	3,614.7	3,525.8	3,495.1	419.8	418.1
Real estate investment companies	284.1	853.7	806.5	849.3	828.9	822.4	806.5	2,309.4

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: January 2015.
3 Data source: Collective Investment Schemes Registers.
4 Available data for IV Quarter 2014: November 2014.

Foreign Collective Investment Schemes marketed in Spain[1]

TABLE 3.14

	2012	2013	2014	2013 IV	2014 I	II	III	IV[2]
INVESTMENT VOLUME[3] (million euro)								
Total	38,075.3	54,727.2	78,904.3	54,727.2	60,859.6	68,004.5	72,631.0	78,904.3
Mutual funds	6,271.5	8,523.2	11,166.0	8,523.2	9,151.9	9,613.9	10,344.7	11,166.0
Investment companies	31,803.8	46,204.0	67,738.3	46,204.0	51,707.6	58,390.6	62,286.3	67,738.3
INVESTORS/SHAREHOLDERS								
Total	819,485	1,067,708	1,317,674	1,067,708	1,037,958	1,263,915	1,233,232	1,317,674
Mutual funds	163,805	204,067	230,104	204,067	194,846	228,201	219,098	230,104
Investment companies	655,680	863,641	1,087,570	863,641	843,112	1,035,714	1,014,134	1,087,570
NUMBER OF SCHEMES								
Total	754	782	805	782	796	802	810	805
Mutual funds	421	409	405	409	414	416	415	405
Investment companies	333	373	400	373	382	386	395	400
COUNTRY								
Luxembourg	310	321	333	321	325	326	332	333
France	272	272	264	272	274	276	274	264
Ireland	90	103	117	103	109	109	113	117
Germany	31	32	33	32	32	33	33	33
UK	22	22	26	22	24	26	26	26
The Netherlands	1	2	2	2	2	2	2	2
Austria	23	24	25	24	24	24	24	25
Belgium	3	4	4	4	4	4	4	4
Malta	1	1	0	1	1	1	1	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

	2012	2013	2014	2014 I	II	III	IV	2015 I[2]
REAL ESTATE MUTUAL FUNDS								
Number	6	6	3	6	6	6	3	3
Investors	25,218	5,750	4,021	4,798	4,090	4,093	4,021	4,027
Asset (million euro)	4,201.5	3,682.6	419.8	3,614.7	3,525.8	3,495.1	419.8	418.1
Return on assets (%)	-5.53	-11.28	-5.87	-1.59	-2.31	-0.87	-1.23	-0.22
REAL ESTATE INVESTMENT COMPANIES								
Number	8	10	7	10	9	9	7	8
Shareholders	937	1,023	845	1,051	1,052	1,046	845	846
Asset (million euro)	284.1	853.7	806.5	849.3	828.9	822.4	806.5	2,309.4

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: January 2015. In this case, return on assets is monthly.