CNMV
Comisión
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del Mercado
de Valores

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

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Abbreviations

AA. PP.	Public Administration Services
ABS	Asset-backed security
ACGR	Annual corporate governance report
AIAF	Asociación de Intermediarios de Activos Financieros (Spanish market in fixed-income securities)
AIF	Alternative investment funds
ANCV	Agencia Nacional de Codificación de Valores (Spain's national numbering agency)
ARDR	Annual report on director remuneration
ASCRI	Asociación Española de Capital, Crecimiento e Inversión (Spanish association of capital, growth and investment entities)
AV	Agencia de valores (broker)
BIS	Bank for International Settlements
BME	Bolsas y Mercados Españoles
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)
CC. AA.	Autonomous regions
CCP	Central counterparty
CDS	Credit default swap
CDTI	Centre for the Development of Industrial Technology
CFD	Contract for differences
CNA	Competent national authority
CNMV	Comisión Nacional del Mercado de Valores (Spain's National Securities Market Commission)
CO	Customer Ombudsman
CP	Crowdfunding platforms
CSD	Central securities depository
CSDR	Central Securities Depositories Regulation
DGSFP	Dirección General de Seguros y Fondos de Pensiones (Directorate-General for Insurance and Pension Funds)
EAFI	Empresa de asesoramiento financiero (financial advisory firm)
EBA	European Banking Authority
EC	European Commission
ECA	Credit and savings institutions
ECB	European Central Bank
ECR	Entidad de capital riesgo (venture capital firm)
EFAMA	European Fund and Asset Management Association
EICC	Entidad de inversión colectiva de tipo cerrado (closed-ended collective investment entity)
EIOPA	European Insurance and Occupational Pensions Authority
EIP	Public interest entity
EMIR	European Market Infrastructure Regulation
EMU	Economic and Monetary Union (euro area)

ESFS	European System of Financial Supervisors
ESI	Investment firms
ESM	European Stability Mechanism
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	Exchange-traded fund
EU	European Union
EuSEF	European social entrepreneurship fund
EuVECA	European venture capital fund
FCR	Fondo de capital riesgo (venture capital fund)
FCR-pyme	Fondo de capital riesgo pyme (SME venture capital fund)
FI	Fondo de inversión de carácter financiero (mutual fund)
FICC	Fondo de inversión colectiva de tipo cerrado (closed-ended investment fund)
FII	Fondo de inversión inmobiliaria (real estate investment fund)
FIICIL	Fondo de instituciones de inversión colectiva de inversión libre (fund of hedge fund)
FIL	Fondo de inversión libre (hedge fund)
FIN-NET	Financial Dispute Resolution Network
FINTECH	Financial Technology
FOGAIN	Fondo General de Garantía de Inversiones (investment guarantee fund)
FRA	Forward rate agreement
FROB	Fund for Orderly Bank Restructuring
FSB	Financial Stability Board
FTA	Fondo de titulización de activos (asset securitisation trust)
FTH	Fondo de titulización hipotecaria (mortgage securitisation trust)
GLEIF	Global Legal Entity Identifier Foundation
HFT	High frequency trading
IAS	International Accounting Standards
ICO	Initial Coin Offerings
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 (Ibero-American Securities Market Institute)
IMF	International Monetary Fund
INFO Network	International Network of Financial Services Ombudsman Schemes
IOSCO	International Organization of Securities Commissions
IRR	Internal rate of return
ISIN	International Securities Identification Number
KIID	Key Investor Information Document
Latibex	Market in Latin American securities, based in Madrid
LEI	Legal Entity Identifier
LMV	Securities Market Act
LRL	Last resort loan
MAB	Mercado Alternativo Bursátil (alternative stock market)
MAD	Market Abuse Directive
MAR	Market Abuse Regulation
MARF	Alternative Fixed-Income Market
MEFF	Spanish Financial Futures and Options Market
MFP	Maximum fee prospectus
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MMU	CNMV Market Monitoring Unit

MOU	Memorandum of Understanding
MTS	Market for Treasury Securities
NCA	National competent authority
NPGC	New general chart of accounts
OECD	Organisation for Economic Co-operation and Development
OIS	Overnight indexed swaps
OPS	Public offering (for subscription of securities)
OPV	Public offering (for sale of securities)
OTC	Over the counter
PER	Price to earnings ratio
PPI	Periodic public information
PSR	Pre-emptive subscription right
REIT	Real estate investment trust
RENADE	Registro Nacional de los Derechos de Emisión de Gases de Efecto Invernadero (Spain's national register of greenhouse gas emission allowances)
RFQ	Request for quote
ROC	Regulatory Oversight Committee
ROE	Return on equity
SAC	Customer service
SAMMS	Advanced Secondary Market Tracking System
SAREB	Asset Management Company for Assets Arising from Bank Restructuring
SCLV	Servicio de Compensación y Liquidación de Valores (Spain's securities clearing and settlement system)
SCR	Sociedad de capital riesgo (venture capital company)
SCR-pyme	Sociedad de capital riesgo pyme (SME venture capital company)
SENAF	Sistema Electrónico de Negociación de Activos Financieros (electronic trading platform in Spanish government bonds)
SEND	Sistema Electrónico de Negociación de Deuda (electronic debt trading system)
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)
SGEIC	Sociedad gestora de entidades de inversión colectiva de tipo cerrado (closed-ended investment scheme 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-ended investment company)
SICC	Closed-ended investment undertaking
SII	Sociedad de inversión inmobiliaria (real estate investment company)
SIL	Sociedad de inversión libre (hedge fund in the form of a company)
SMN	Sistema multilateral de negociación (multilateral trading facility)
SNCE	Sistema Nacional de Compensación Electrónica (national electronic clearing system)
SON	Sistema organizado de negociación (organised trading facility)

SRB	Single Resolution Board
SSS	Securities settlement system
STOR	Suspicious transaction and order report
SV	Sociedad de valores (broker-dealer)
TER	Total expense ratio
TRLMV	Texto refundido de la LMV (RDL 4/2015, de 23 de octubre) (recast text of the Securities Market Act)
TVR	Theoretical value of the right
T2S	TARGET2-Securities
UCITS	Undertaking for collective investment in transferable securities

I Securities markets and their agents: Situation and outlook

Contents

List of exhibits

1 Executive summary

– The international macroeconomic environment has recently been marked by increased tensions relating to a possible trade war and by the uncertainty seen in some advanced (Italy) and emerging (Turkey and Argentina) economies. For the time being, economic growth remains higher in the United States, while in Europe economic growth has slowed down somewhat. In this context, the Federal Reserve has decided to raise interest rates three times this year – a fourth rise at the end of the year has not been ruled out – while the European Central Bank (ECB) is at the stage of reducing the volume of its asset purchase programme and has indicated that interest rates will remain at current levels until at least the summer of 2019. The consequences that might result from increased trade tensions, the possibility of a hard Brexit in view of the failure to reach a deal, the instability still present in several economies and the impact of the shift in monetary policy in advanced economies are the most important risk factors for this international economic scenario.

– International equity markets,[1] which had suffered significant losses in the first quarter of the year as a result of the volatility recorded in US stock markets in February, have since faced fears of a trade war. These fears do not appear to have substantially affected US indices, which have recorded the largest gains in the year, as the gains in the second and third quarters substantially offset the initial losses. These gains recorded by these indices stand at between 7% and 16.6% and were driven by the positive economic data. In Europe, in contrast, although the indices recorded widespread gains in the middle quarters of the year, in most cases these were not sufficient to offset the falls in the first quarter and the extra sources of uncertainty on top of the possible trade war (Italy, Brexit, Turkey, etc.). Noteworthy in the emerging stock markets was the fall in the Chinese Shanghai Composite index over the year (-14.7%).

– International debt markets have also recorded two relatively differentiated periods of the year. In the first few months, long-term yields increased in the most important advanced economies as a result of the prospect of a faster and more intense shift in monetary policy, while yields in some economies on the periphery of Europe, including Spain, recorded falls as a result of the upgrades to their credit ratings. This situation was reversed in May, when the political uncertainty in Italy led to a significant increase in its risk premium and slight contagion to other European countries, such as Spain and Portugal. In this context, the bonds of the European economies perceived as most solid once

1 The closing date of this report is 30 September, except for some specific information such as the IMF's GDP growth forecasts published in early October.

again became a safe haven and their yields fell. This has led to substantial increases in long-term interest rates over 2018 as a whole in the United States, the United Kingdom and Italy, while in Germany and France there have been few changes, and in Spain and Portugal long-term rates have fallen slightly.

- The Spanish macroeconomic environment remained favourable in the first half of 2018, although the rate of economic and job growth slowed down slightly. GDP rose by 2.5% in the second quarter, 0.3 percentage points less than in the previous quarter and 0.6 percentage points below the average for 2017. All in all, the Spanish economy maintains a gap with regard to the euro area of around half a percentage point. Inflation rose in the middle months of the year to rates higher than 2% as a result of the upturn in the energy inflation rate. Forecasts by the leading bodies indicate that the slowdown in economic growth will continue until at least 2020, with various downside risks, some of which – fears of a trade war, political instability in Italy, the consequences of higher oil prices and exposure to certain emerging economies – are common to other European economies.

- The performance of the banking sector continues to be determined by elements pulling in opposite directions. The low interest rate environment prevents improvements in net interest income and, therefore, substantial increases in profitability. However, the good state of the economy continues to allow the sector's non-performing loans ratio to fall. Some banks have recently recorded falls in their share prices as a result of the uncertainties in Italy and in some emerging economies to which they have a high exposure and, to a lesser extent, the doubts generated by the possibility – later ruled out – of the creation of a specific banking tax. Looking ahead, the improvement in the efficiency ratio of Spanish banks and the expected shift in the ECB's monetary policy are positive factors for banks.

- The Spanish financial markets stress index, which had risen in February to a level of 0.27 (very close to the area classified as medium stress) – fell in subsequent weeks to annual lows of 0.15. In the middle months of the year, the episode of political uncertainty in Italy and the fears of a trade war triggered a slight increase in the index, but it remains at levels in line with low stress.[2] By segment, the highest stress levels are noted in the bond segment and the segment of financial intermediaries (mainly banks).

- Prices in Spanish equity markets, which had suffered significant falls in the first few months of the year, stabilised in the middle of the year and then began to fall again in the third quarter. The Spanish market has been significantly affected by some of the aforementioned uncertainties due to the high level of exposure of some companies that have Italian debt assets or interests in emerging countries with difficulties. All of the above, bearing in mind the context of the slight slowdown in economic growth, has led to the Ibex 35 falling by 6.5% so far this year, thus recording a worse performance than most European benchmark indices. Market volatility has recorded upturns at specific

2 The latest figure, with information up to 28 September, is 0.18.

periods, but has generally remained at very low levels and liquidity has also remained at satisfactory levels. Cumulative trading volumes in 2018 have risen slightly (1.4%). Trading on Spanish markets continues to fall (-6.4%), while trading on foreign platforms continues to grow (18%), with the latter now accounting for almost 40% of total trading in Spanish securities.

– Spanish fixed-income markets, like European markets, have been conditioned by a variety of economic and political circumstances. These include divergences in the tone of the monetary policies applied on each side of the Atlantic and uncertainty relating to Italian public finances, which in May led to some contagion to the risk premium on Spanish debt. The improvement in the rating of the Spanish sovereign bond in the early stages of the year also had a significant impact on the yields of the longer tranches of the interest rate curve. In 2018 as a whole, short-term interest rates have recorded very slight increases and remain very close to historic lows. In long-term maturities, the improvement in the credit rating triggered a substantial fall in yields in the first few months of 2018, after which the increasing uncertainty led to rises which did not fully offset the previous falls. The risk premium recorded an annual high in May of 134 basis points (bp) as a result of the uncertainties in Italy, but it has subsequently remained stable, with some ups and downs, at values very close to 100 bp.

– Assets managed by Spanish mutual funds rose by 3.2% in the first half of the year to 273.77 billion euros. This figure is close to that recorded just before the onset of the financial crisis. This increase was mainly the result of net subscriptions by unit-holders, which exceeded 10 billion euros and which showed a clear preference for higher-risk fund categories, particularly global funds. In this context, CIS management companies recorded an increase in their profits of 36.5% to 491 million euros as a result of the increase in (net) fees received. The sector is not expanding evenly across the different entities as the number of loss-making companies rose by four in the first half of the year to a total of 23.

– The business of broker-dealers and brokers, which had improved slightly in 2017, once again contracted in the first half of 2018 as a result of the fall in their most important fees (order processing and execution, portfolio management and CIS marketing). In particular, aggregate profit before tax fell by 34.4% between January and June to 138.2 million euros (in annualised terms). The fall in profits had a negative impact on the profitability of these entities, which fell from 18.4% to 11.8%, and on the number of loss-making entities, which rose from 20 to 34. However, solvency conditions remain satisfactory in relative terms.

– The report includes three monographic exhibits:

  • The first describes the intervention measures taken by ESMA in the middle months of the year in relation to the marketing of CFDs and binary options to retail investors. The CNMV agrees with these measures, which are also consistent with the content of the new CNMV Circular 1/2018, of 12 March, on warnings relating to financial instruments.

- The second addresses the practice known as closet indexing, whereby some mutual funds are presented as actively-managed funds and establish the fees that are typical of this activity even though their management is very similar to index tracking. In this regard, following the recommendations by ESMA and best practices from other countries, the CNMV has deemed it necessary to improve the information provided to investors.

- The final exhibit details the features of the Financial Literacy Survey conducted within the framework of the Financial Education Plan together with the Bank of Spain and reports on some of its results. One of the contributions of this survey lies in the possibility of identifying specific groups in the population which should be the focus of the priorities of the next Financial Education Plan.

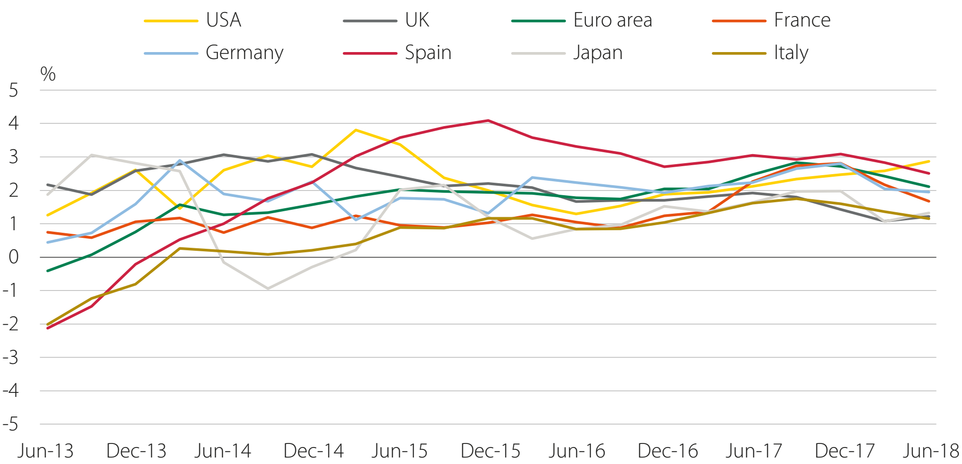
2 Macro-financial background

2.1 International economic and financial developments

In the first half of the year, economic growth remained high in the United States, while Europe recorded a slight slowdown.

World economic growth followed a somewhat uneven pattern in the first half of the year as US GDP continued to grow at very high rates (0.5% and 1% in the first and second quarters of the year, respectively), while growth rate slowed down in Europe. Within the European countries, economic activity was dynamic in Spain and Germany, with growth of 0.6% and 0.5%, respectively, in the second quarter (0.6% and 0.4% in the previous quarter), while growth was less solid in France and stood at 0.2% in the first two quarters, rates that were significantly lower than those recorded in 2017 (0.7% on average). In Italy, GDP also grew by 0.2% in the second quarter. For their part, in the United Kingdom and in Japan, growth rates in the second quarter were better than in the first quarter as they rose from 0.1% to 0.4% in the case of the former, and from -0.2% to 0.7% in the latter.

GDP, annual change FIGURE 1

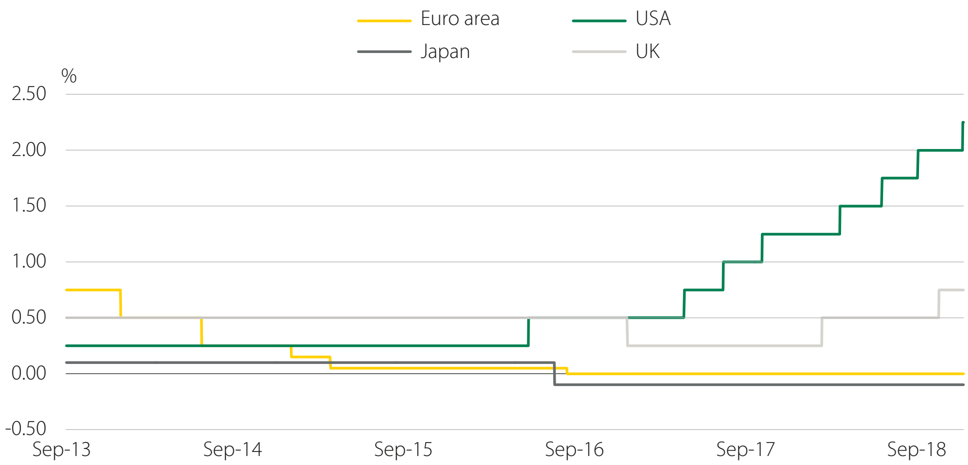


Source: Thomson Datastream.

In its September meeting, the ECB decided to maintain the main refinancing rate, the deposit facility rate and the marginal lending rate at 0%, -0.4% and 0.25%, respectively, and reiterated its expectation that these rates will remain at their present levels at least through the summer of 2019. It also announced the end of its asset purchase programme at the end of this year. The programme will have a monthly pace of 15 billion euros in the last quarter of the year. However, it highlighted that its decisions will depend on movements in the inflation figure. For its part, the Federal Reserve – which had made two rate hikes in March and June – increased rates again at its September meeting. According to the forecasts published by the Fed, it is likely that there will be one more hike in 2018 in the interest rate, which is currently in the range of 2% to 2.25%.

The ECB will end its purchasing programme in December, but does not expect changes in the official rate until the summer of 2019. In contrast, the Federal Reserve has made three rate hikes this year and may decide to make one further hike in the last quarter…

Official short-term interest rates FIGURE 2



Source: Thomson Datastream. Data to 28 September.

The Bank of England, which in August raised the bank rate from 0.5% to 0.75%, decided at its September meeting to leave both interest rates and the volume of its asset purchase programme unchanged. Inflation rate has continued to fall gradually and stood at 2.5% in July.

… while the Bank of England raised the headline interest rate to 0.75% in August.

There has been a great deal of divergence in the movements of short-term interest rates in 2018 among the different advanced economies, which was determined by the monetary policy decisions referred to in the above paragraphs. Three-month and 12-month rates in the United States recorded substantial increases and stood at 2.40% and 2.92%, respectively, in the middle of September (70 bp and 81 bp up on year-end 2017). The increase in short-term rates has been less sharp in the United Kingdom, where they grew by around 30 bp in both maturities, to 0.80% for the 3-month rate and 1.06% for the 12-month rate. In the euro area, the two benchmark rates have remained unchanged at -0.32% (3 months) and -0.16% (12 months), in line with the expectation that the ECB will not raise interest rates until after the summer of 2019.

Short-term rates moved unevenly across the advanced economies. While in the United States, rates recorded substantial increases, in the euro area they remained largely unchanged.

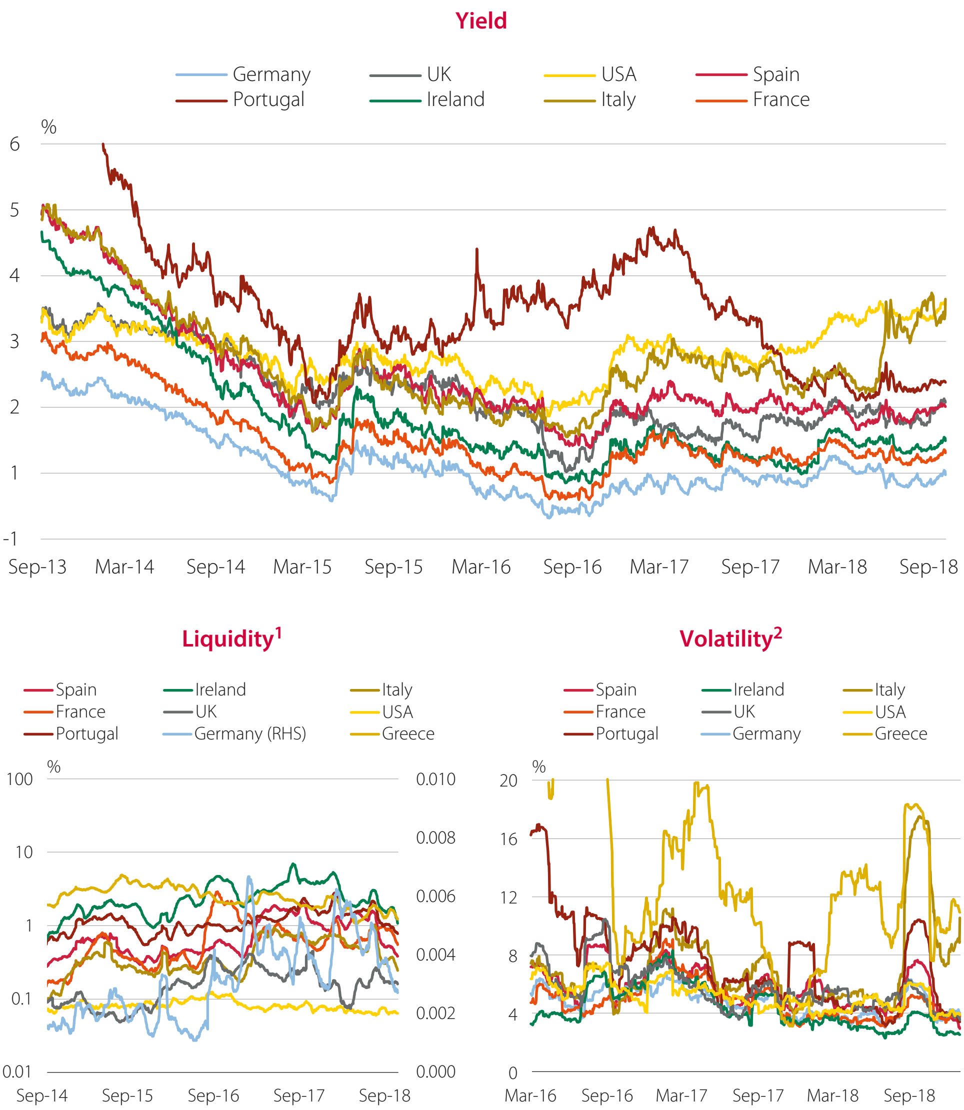
The evolution of long-term rates has also been uneven across advanced economies during 2018. Between January and April, most countries recorded increases in 10-year sovereign bond yields as a result of an improved macroeconomic outlook and an upward revision of inflation expectations, particularly in the United States. Peripheral euro area countries were the exception to this widespread rise in yields as their credit ratings were upgraded by different agencies.

In the first four months of the year, long-term rates rose in most advanced economies, with the exception of the peripheral countries of the euro area, which received improved ratings…

… however, the yield on the public debt of these economies rose in the middle months of the year as a result of the political uncertainty generated in Italy.

As of May, however, this pattern was reversed and the sovereign bonds of the peripheral countries recorded increases as a result of the political uncertainty generated in Italy. The largest increase was recorded in Italy (136 bp between May and September) and partially spread to Portugal and Spain, which recorded increases of 22 bp and 23 bp, respectively. In contrast, the yields on the public debt of other euro area countries that are usually used as safe-haven assets fell over that same period (-9 bp in Germany and -12 bp in the Netherlands).

Indicators of the 10-year sovereign bond market FIGURE 3



Source: Bloomberg, Thomson Datastream and CNMV. Data to 28 September.

1 One-month average of daily bid-ask spread for yields on 10-year sovereign bonds (logarithmic scale). In the case of the German bond, the one-month average of the bid-ask spread is shown without dividing by the yield average to avoid the distortion introduced by its proximity to zero.

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

So far this year, Italy, the United States and the United Kingdom have seen significant increases in long-term debt yields, while those in Germany and France have remained largely unchanged.

Consequently, the most significant rise so far this year has occurred in Italy, where the 10-year government bond yield has reached 3.14%, 115 bp up on year-end 2017. In line with this increase in the yield, the volatility of the Italian sovereign bond has stood at high levels over recent months and exceeded 17% in June and July (see Figure 3). Yields have also risen markedly in the United States and the United Kingdom: 65 bp in the former, to 3.06%, and 39 bp in the latter, to 1.57%. Yields on French and German sovereign bonds, which at the end of September stood at 0.81% and 0.47%, respectively, have remained largely unchanged over 2018. Finally, the yields on Spanish and Portuguese sovereign bonds both fell by 6 bp to 1.51% and 1.88%, respectively.

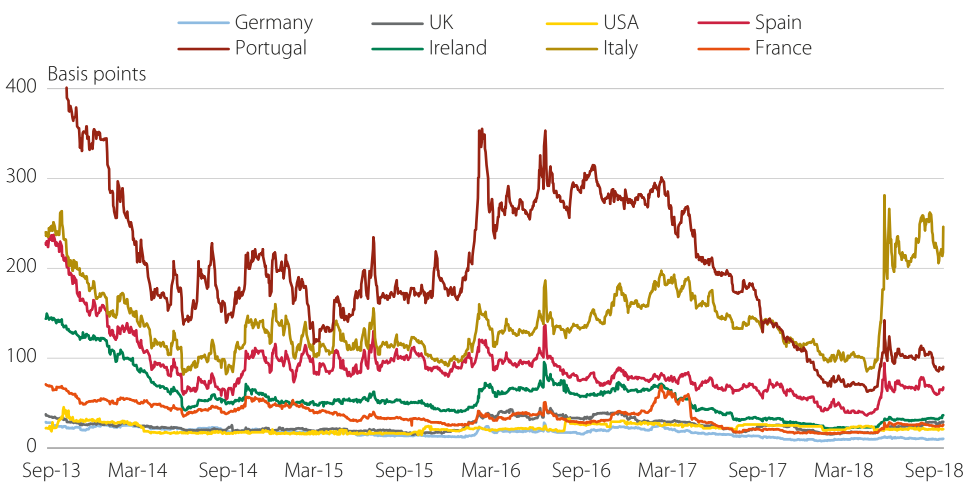
Sovereign credit risk premiums in most advanced economies (as measured by the 5-year CDS of public debt instruments) have remained stable in 2018, with the exception of Italy, which recorded a 127 bp rise. In the first four months of the year, widespread falls were recorded – especially in the euro area peripheral countries – as a result of the aforementioned credit rating upgrades (-18 bp in Spain, -28 bp in Italy and -31 bp in Portugal). However, in the middle months of the year, the risk premium of these economies rose due to the political uncertainty generated in Italy (156 bp in Italy, 29 bp in Spain and 26 bp in Portugal). The other economies also recorded increases, albeit smaller, between May and September, with the exception of Germany (0 bp) and the United States (-3 bp).

Sovereign credit risk premiums generally fell in the first four months of the year and rose over the middle months of the year as a result of the political uncertainty generated in Italy…

At the end of September, the risk premium on the Italian sovereign bond stood at 246 bp (118 at the end of 2017), while much smaller changes were recorded in other countries. Specifically, the risk premium of the CDS of Spanish public debt rose by 10 bp (to 67 bp), that of French public debt rose by 9 bp (to 26 bp) and that of the German sovereign bond remained unchanged at 10 bp.

… so that the cumulative balance for the year shows little change in most countries (with the exception of Italy, with a rise of 127 bp).

Credit risk premiums on public debt (5-year CDS) FIGURE 4



Source: Thomson Datastream. Data to 28 September.

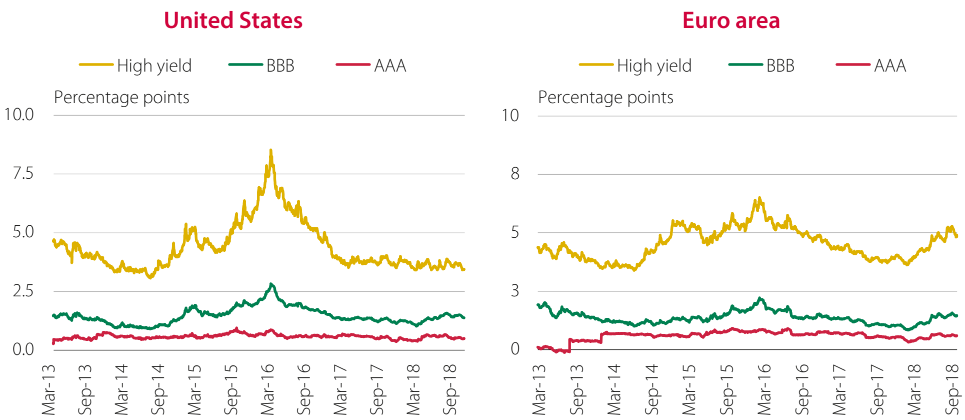
In corporate bond markets, investment-grade bonds in the United States and Europe performed similarly throughout 2018. In the United States, AAA-rated corporate bonds recorded an increase of 7 bp and at the end of September the spread amounted to 50 bp, while BBB bond spreads rose by 18 bp to stand at 137 bp. In Europe, the risk premium rose by 5 bp (to 60 bp) in the case of bonds with the higher credit rating and by 41 bp (to 147 bp) for BBB-rated debt instruments.

In private fixed-income markets, investment-grade bonds performed similarly in the United States and Europe throughout 2018…

… while high yield spreads diverged between the two economies, with significant rises in Europe and slight falls in the United States.

The trend of high-yield spreads, however, diverged between the two economies. A rise of 101 bp (to 491 bp) was recorded in Europe due to heightened political risks, the approaching end of the ECB's purchase programme and the increase in issuance in this credit tranche. In contrast, a fall of 30 bp (to 344 bp) was recorded in the United States due to the fact that, even though the concern relating to heightened trade tensions led to divestments from high-risk segments, the scarce supply of high-yield bonds contained the spread in this tranche.

Corporate bond spreads. Spread vs. the 10-year government bond[1] FIGURE 5



Source: Thomson Datastream and CNMV. Data to 28 September.

1 In the euro area versus German public debt.

So far this year, the volume of net long-term debt issuance on global markets stands at 1.88 trillion dollars (637 billion dollars less than in 2017).

Net long-term debt issuance in global markets amounts to 1.88 trillion dollars so far this year (637 billion dollars down on the same period of 2017). By sector, the groups with the greatest reductions were net sovereign issuance (-526 billion) and issuance by non-financial companies (-336 billion). By region, the United States recorded the largest fall in net issuance (-510 billion).

Net sovereign issuance fell as a result of the fall in gross issues, particularly in the United States…

The amount of sovereign net issues fell mainly as a result of the decrease in gross issues in every region, particularly in the United States. The net volume issued in the United States totalled 8 billion dollars, 207 billion less than in 2017. The amounts issued during the year in Europe and Japan were also significantly lower than in 2017 (117 billion and 107 billion down, respectively).

… in contrast, total issuance by the financial sector rose by 225 billion to 956 billion.

Total net issuance by the financial sector between January and September amounted to 956 billion dollars, 225 billion dollars up on the same period last year. This increase was the result of the rise in net issues in Europe, which were once again positive for the first time since 2014 (269 billion) due to the greater volume of gross issues and, above all, the reduction in maturities. Net issuance in Japan stood at 60 billion, 27 billion up on the same period of 2017, while the net amount issued in the United States fell by 13.2% to 360 billion.

Issues by the non-financial sector fell by 38%, with falls in every region, except Europe.

Finally, issuance by the non-financial sector fell by 38% to 546 billion dollars. The most significant fall took place in the United States, where the net amount fell from 488 billion in 2017 to 239 billion in the current year. This fall is mainly due to the reduction in issues in a context of rising interest rates and less attractive financing conditions for issuers of fixed-income securities. Net amounts in Europe rose by 26 billion to 172 billion, while in Japan they fell by 7 billion to 21 billion.

Net international debt issues FIGURE 6

Source: Dealogic. Half-yearly data. The data for the second half of 2017 are up to 28 September, but their half-yearly equivalent is shown for comparative purposes.

The leading equity indices recorded falls across the board in the first quarter of the year…

The leading equity indices recorded falls across the board in the first quarter of the year, as a result of both the fears of an acceleration in the pace of the normalisation of US monetary policy – resulting from the publication of job market data – and the announcement of protectionist measures by the US administration which might result in a trade war.

… and performed unevenly in the middle months of the year.

During the middle months of the year, movements in stock indices were more uneven in regional terms. Stock exchanges in the United States recorded significant gains despite the increase in the protectionist rhetoric of the country's administration, which in the middle of September reported additional measures to impose tariffs on Chinese imports for a value of 200 billion dollars. In contrast, in the euro area, where movements were more disperse, the Italian Mib 30 stock index suffered more significant falls as a result of the political uncertainty generated following the March elections and accentuated in September following the publication of deficit targets that were well above market expectations.

In the year to date, indices have recorded gains in the United States, while the leading European indices, with the exception of the French Cac 40, have recorded losses.

Between January and September, the US Dow Jones, S&P 500 and Nasdaq indices rose sharply (by 7%, 9% and 16.6%, respectively), while the main European indices – with the exception of the French Cac 40, which rose by 3.4% – recorded losses. The sharpest falls were recorded in the Ibex 35 (-6.5%), in the German Dax 30 index (-5.2%) and in the Italian Mib 30 (-5.2%). The Spanish index has been affected, above all, by concerns about the uncertainty originating in Italy and by the exposure of some Spanish companies to vulnerable emerging economies such as Turkey and Argentina (see Section 3.1 for further details). The German index, for its part, has reflected the escalating tension in trade relations worldwide, which might affect its export industries. Finally, the UK FTSE 100 index has fallen by 2.3% in the year to date, in a context of uncertainty about the possibility of a Brexit with no deal with the European Union.

Following the upturn in volatility recorded in February, the implied volatility measures of the leading stock indices returned to low levels.

Following the upturn in volatility recorded in February, implied volatility measures for the main stock indices returned to very low levels in the subsequent weeks and have remained at those levels in the middle months of the year. At the end of the third quarter, volatilities were below 15%.

Stock indices in emerging markets generally performed negatively in the first half of the year. The cumulative figure for the year as a whole was more uneven.

The stock market indices of emerging countries generally performed negatively in the first half of the year, coinciding with a rise in the price of the dollar resulting from the normalisation of monetary policy in United States and the aforementioned growing tensions in trade relations. The performance of emerging stock markets in the summer months was more varied, which led to an uneven balance between regions in the cumulative figures for the year.

Performance of main stock indices TABLE 1

%

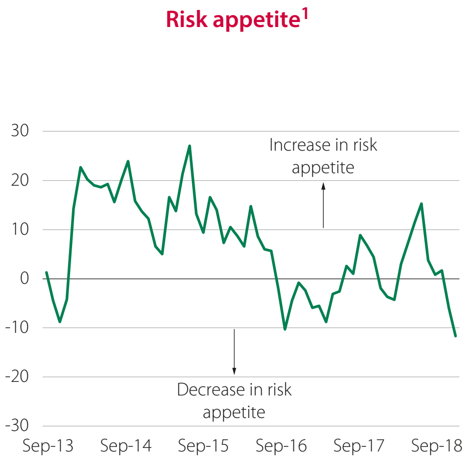
	2014	2015	2016	2017	IV-17	I-18	II-18	III-18	% / Dec-17
World									
MSCI World	2.9	-2.7	5.3	20.1	5.1	-1.7	1.1	4.5	3.8
Euro area									
Eurostoxx 50	1.2	3.8	0.7	6.5	-2.5	-4.1	1.0	0.1	-3.0
Euronext 100	3.6	8.0	3.0	10.6	-0.4	-2.0	3.3	1.5	2.7
Dax 30	2.7	9.6	6.9	12.5	0.7	-6.4	1.7	-0.5	-5.2
Cac 40	-0.5	8.5	4.9	9.3	-0.3	-2.7	3.0	3.2	3.4
Mib 30	0.2	12.7	-10.2	13.6	-3.7	2.6	-3.5	-4.2	-5.2
Ibex 35	3.7	-7.2	-2.0	7.4	-3.3	-4.4	0.2	-2.4	-6.5
United Kingdom									
FTSE 100	-2.7	-4.9	14.4	7.6	4.3	-8.2	8.2	-1.7	-2.3
United States									
Dow Jones	7.5	-2.2	13.4	25.1	10.3	-2.5	0.7	9.0	7.0
S&P 500	11.4	-0.7	9.5	19.4	6.1	-1.2	2.9	7.2	9.0
Nasdaq-Composite	13.4	5.7	7.5	28.2	6.3	2.3	6.3	7.1	16.6
Japan									
Nikkei 225	7.1	9.1	0.4	19.1	11.8	-5.8	4.0	8.1	6.0
Topix	8.1	9.9	-1.9	19.7	8.5	-5.6	0.9	5.0	0.0

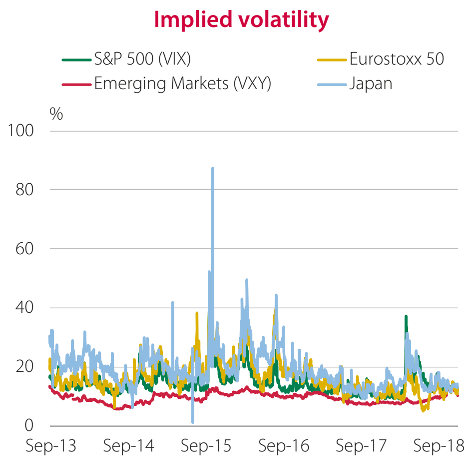
Source: Thomson Datastream.

Particularly noteworthy, due to their importance, are the falls in the Chinese and Turkish stock markets, while the Argentinean Merval index recorded gains despite the vulnerabilities present in the Argentinean economy.

Particularly noteworthy due to their importance are the falls in the Chinese Shanghai Composite (-14.7%) and the Turkish BIST 30 (-12.8%). The Turkish index reflected concerns around the high level of foreign currency debt of Turkish companies and the strong depreciation recorded by the lira over recent months, which was exacerbated following the imposition of sanctions by the United States and as a result of the doubts that the Turkish Government might be interfering in monetary policy decisions. In Argentina, where some macroeconomic imbalances caused the depreciation of the Argentinean peso and ended up triggering the government's request for financial assistance from the IMF, the Merval index suffered significant falls in the second quarter. However, subsequent gains allowed the Argentinean stock exchange to register an overall positive change between January and September.

Financial market indicators FIGURE 7

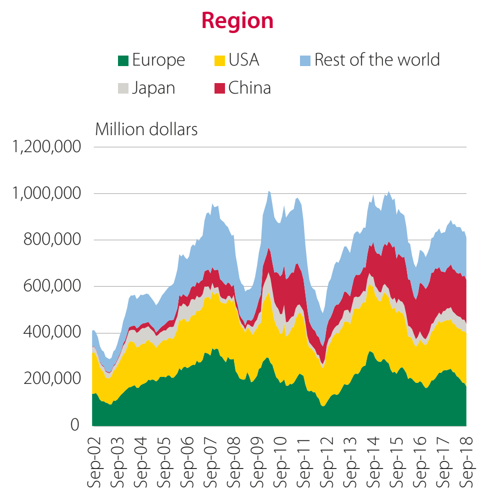


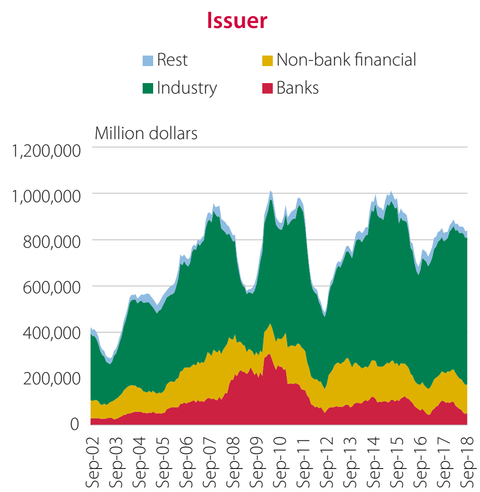


Source: Thomson Datastream and CNMV.

1 State Street indicator.

Global equity issuance FIGURE 8





Source: Dealogic. Cumulative 12-month data to 30 September. The monthly equivalent for September is shown for comparative purposes.

The volume of equity issuance stood at 812 billion dollars in the last 12 months, a similar figure to that recorded in 2017 (833 billion). By region, the amount issued in Europe fell by 28.6% to 170 billion dollars, coinciding with the general fall in its main stock market indices. In contrast, equity issuance in the United States rose by

The volume of equity issuance over the last 12 months stood at 812 billion dollars, similar to the figure recorded in 2017.

7.8% to 228 billion dollars, and by 12% in China, despite the substantial falls recorded in Chinese stock markets. By sector, only issues by industrial companies grew, with a cumulative amount of 615 billion dollars over the last 12 months, 6.5% up on 2017. Banks issued 49 billion dollars and utilities companies issued 30 billion dollars, 49.3% and 11.2% down on the previous year, respectively.

2.2 National economic and financial developments

Spain's GDP grew by 2.5% year-on-year in the second quarter, 0.4 pp more than the euro area.

Spain's GDP grew by 2.5% year-on-year in the second quarter of 2018, 0.3 percentage points (pp) down on the first half of the year, but above the figure recorded in the euro area over the same period (2.1%). It is important to note that there has been a slight slowdown in economic growth both in Spain and in the euro area over recent months as a result of higher oil prices, doubts about the scope of the restrictions to world trade and other sources of uncertainty. However, the Spanish economy continues to grow at 0.4 percentage points above the European average.

Domestic demand contributed 3.3 pp to GDP growth, while the external sector made a negative contribution (-0.8 pp).

In the second quarter, the contribution of domestic demand to growth was 3.3 percentage points, 0.2 percentage points more than in the first quarter. In contrast, foreign demand made a contribution of -0.8 points, 0.5 points less than in the previous quarter. The changes in the components of domestic demand show a slowdown in both public consumption (from 2.4% to 1.9%) and private consumption (from 3.1% to 2.3%), and a significant acceleration of gross fixed capital formation (from 3.9% to 7.7%). Within this last category, there was sharper growth in both investment in capital goods (from 1.9% to 11.1%) and in construction (from 5.7% to 7%). With regard to the external sector, there was a slowdown in the growth of exports (from 3.4% to 2.3%), while imports grew more strongly (from 4.7% to 5.2%), driven by buoyant investment.

On the supply side, primary sectors and construction grew markedly, while growth in the industrial and services sectors moderated.

On the supply side, the most significant annual changes were recorded in the primary sectors (3.2%) and in the construction sector (7.2%), 4.1 percentage points and 1 percentage point above the average growth recorded in 2017, respectively. Growth in the industrial and services sectors slowed down to 2.5% and 2.3% (average growth in 2017 of 4.4% and 2.5%, respectively).

Inflation rose in the second four months of the year to 2.2% in August as a result of the increase in energy prices. The core rate, in contrast, remained stable (0.8%).

The inflation rate, which for the first four months of 2018 had remained at levels close to 1%, rose significantly in May and has since hovered around 2% (2.2% in August). This increase was the result of changes in energy prices, which rose following the increase in the price of oil and the depreciation of the euro against the dollar. In fact, the core inflation rate, which excludes energy goods and fresh food, remained stable and stood at 0.8% in August, the same figure as that recorded at year-end 2017. The inflation gap with the euro area, which at the start of the year was negative (-0.6 percentage points in January), once again returned to positive values and has remained at low levels throughout the year (0.2 percentage points in August).

Job creation continued, albeit at a slightly more moderate pace, allowing the unemployment rate to fall to 15.3% in June…

Solid economic growth, albeit at a slightly slower rate, continued to favour the buoyancy of the job market. Against this background, the process of job creation continued, although at a somewhat more moderate pace than in recent months (2.5% in the second quarter and 2.9% in the last quarter of the previous year). The number of full-time employees rose by 229,000 in the first half of the year and the unemployment rate fell to 15.3% in June (compared with 16.6% in December 2017). Unit labour costs remained stable in the first quarter of the year, as the increase in remuneration per employee (0.4%) was practically offset by the increase in productivity (0.3%).

Spain: main macroeconomic variables TABLE 2

Annual % change

	2014	2015	2016	2017	EC[1] 2018	EC[1] 2019
GDP	**1.4**	**3.6**	**3.2**	**3.0**	**2.9**	**2.4**
Private consumption	1.5	3.0	2.8	2.5	2.3	1.9
Government consumption	-0.3	2.0	1.0	1.9	1.9	1.3
Gross fixed capital formation, of which:	4.7	6.7	2.9	4.8	4.6	3.9
Construction	4.2	3.6	1.1	4.6	n.a.	n.a.
Capital goods and other	6.0	11.8	5.3	6.0	5.0	4.3
Exports	4.3	4.2	5.2	5.2	5.0	4.7
Imports	6.6	5.4	2.9	5.6	4.7	4.5
Net exports (contribution to growth, pp)	-0.5	-0.4	0.7	0.3	0.2	0.2
Employment[2]	**1.0**	**3.2**	**3.0**	**2.8**	**2.6**	**2.3**
Unemployment rate	**24.4**	**22.1**	**19.6**	**17.2**	**15.3**	**13.8**
Consumer price index[3]	**-0.1**	**-0.5**	**-0.2**	**2.0**	**1.4**	**1.4**
Current account balance (% GDP)	**1.1**	**1.2**	**2.3**	**1.8**	**1.5**	**1.6**
General government balance (% GDP)[4]	**-6.0**	**-5.3**	**-4.5**	**-3.1**	**-2.6**	**-1.9**
Public debt (% GDP)	**100.4**	**99.3**	**99.0**	**98.1**	**97.6**	**95.9**
Net international investment position (% GDP)	**-90.6**	**-79.0**	**-70.6**	**-66.7**	**n.a.**	**n.a.**

Source: Thomson Datastream, European Commission, Bank of Spain and Spanish National Statistics Office (INE).

1 European Commission forecasts from the spring of 2018.

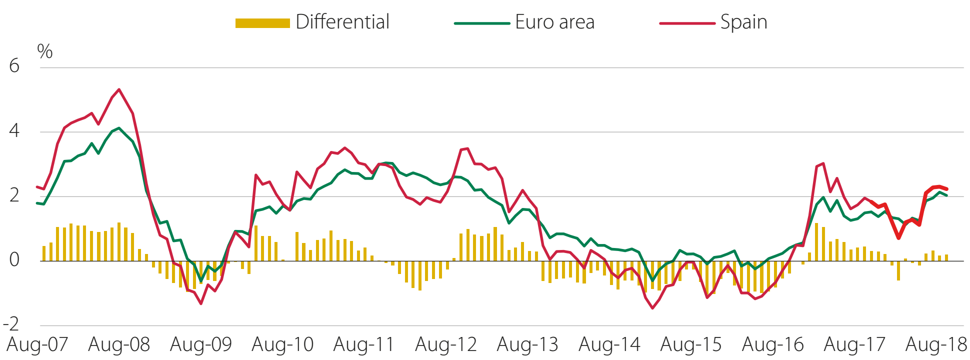
2 In full-time equivalent jobs.

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

4 Data for 2014, 2015, 2016 and 2017 include government aid to credit institutions amounting to 0.1%, 0.1%, 0.2% and 0.04% of GDP, respectively.

n.a.: [data] not available.

Harmonised CPI: Spain vs. euro area (annual % change) FIGURE 9



Source: Thomson Datastream. Data to August.

The cumulative general government deficit in the first half of the year stood at 1.87% of GDP, excluding financial aid (2.31% in the same period of 2017). This

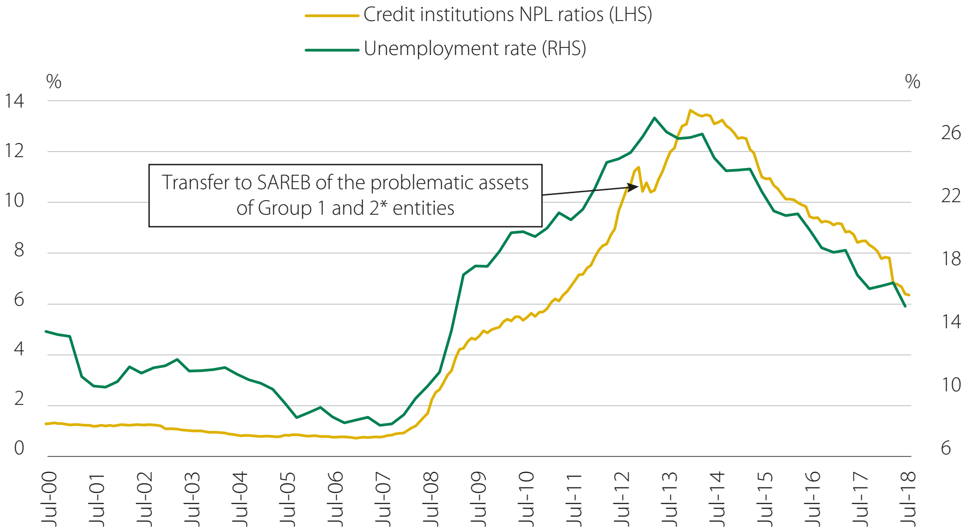
… and the cumulative general government deficit to June stood at 1.87% of GDP (0.44 pp down on the same period of 2017).

fall was the result of the increase in resources outstripping the increase in spending (-0.44 percentage points). A breakdown by tier of government shows that the fall was generalised. Accordingly, both the deficit of the central government fell (from 1.07% to 0.82%), as did that of the regional governments (from 0.73% to 0.59%). The deficit of the social security funds fell by a slightly smaller figure (from 0.51% to 0.46%). Advance data for the first quarter of the year indicates that the level of public debt according to the Excessive Deficit Procedure stood at 98.8% of GDP.

The banking sector continues to operate in an environment that makes it difficult to improve net interest income, although the buoyancy of the economy continues to work in banks' favour.

The banking sector continues to operate in an environment of low interest rates, which prevents significant improvements in net interest income, and to face certain structural changes, such as increasing competition from FinTech companies. However, the buoyancy of the economy and favourable performance of the job market led to the NPL ratio continuing to fall in the first half of the year to 6.4% in July (7.8% at year-end 2017). Furthermore, Spanish banks reported a better efficiency ratio than the average for the euro area in the first quarter of 2018: the ratio between costs and revenue stood at 51.6% in Spain compared with the average of 64.8% recorded in the euro area.

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



Source: Bank of Spain and National Statistics Office (INE). Data to June.

1 Percentage of active population.

* Group 1 transfers took place in December 2012 (36.7 billion euros) and Group 2 transfers in February 2013 (14.09 billion euros).

Credit institutions' aggregate profit stood at 6.65 billion euros in the first half of the year.

In this context, the aggregate profit of Spanish credit institutions stood at 6.65 billion euros in the first half of the year. This result contrasts with the losses of 6.17 billion euros recorded in the same half of 2017, when the resolution of Banco Popular took place. Excluding the losses of Banco Popular, which are estimated at 12 billion euros, the profit would have increased by around 14% in the most recent period. Both net interest income and the gross margin remained stable, while asset impairment performed favourably and continued to fall to 698 million in the second quarter, the lowest amount since 2005.

Aggregate bank lending to resident companies and households fell by 0.2% year-on-year in August, mainly as a consequence of the fall in lending to non-financial companies (-0.5%), which was the result of the drop in loans. However, lending to households grew for the first time since 2010 (0.3% in August), which can be explained by the lower reduction in loans to purchase properties and the increase in consumer credit. In the euro area, lending to companies climbed by 3% in July (1.9% in December 2017), while lending to households rose by 3.3% (3.2% in December 2017).

Bank lending to companies fell slightly, while lending to households grew for the first time since 2010.

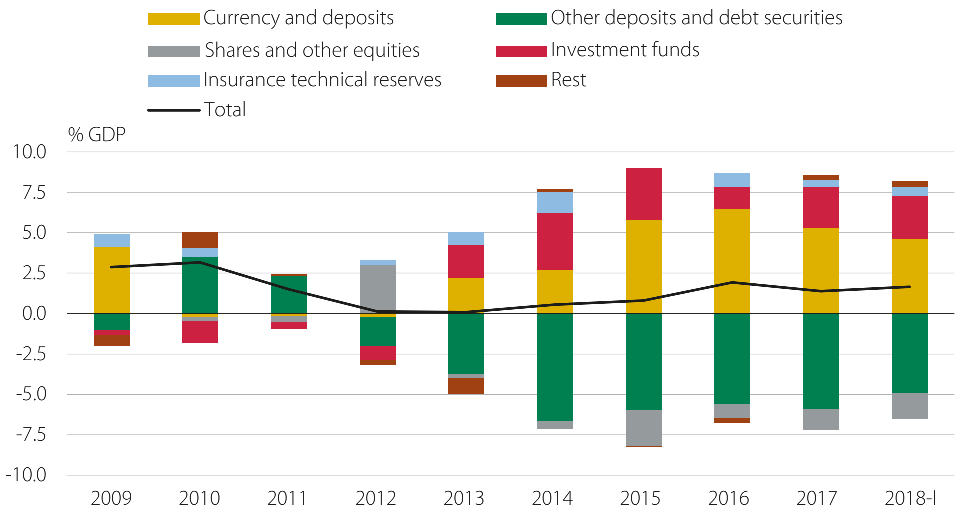
The size of the banking sector contracted by 1.8% between January and July, to 2.61 trillion euros (2.65 trillion at the end of 2017), as the increase in assets abroad was not enough to offset the fall in the balance of lending to the resident private sector. The main sources of funding – deposits and debt – fell slightly (by 1.2% and 2.2%, respectively), while net worth fell by 6.1% to 339 billion euros.

The size of the banking sector fell by 1.8% between January and July, to 2.61 trillion euros.

The most recent data on the financial position of households indicate that the savings rate fell in the second half of the year and stood at 4.7% of gross disposable income (GDI) in June (5.5% in December 2017). The debt-to-income ratio fell slightly in the first half of the year from 99.8% of GDI at year-end 2017 to 99.3% in June of this year, while the debt burden ratio fell by only 0.1 percentage points (from 11.5% of GDI to 11.4%). Household wealth continued to rise due to the increase in the value of their real estate assets.

The household savings rate continued to fall in the first half of the year (to 4.7%), at the same time as the household debt-to-income ratio declined slightly. Their net wealth rose as a result of the increase in the value of their real estate assets.

Households: net financial asset acquisitions FIGURE 11



Source: Bank of Spain, *Financial Accounts*. Cumulative data from four quarters.

Net financial investments of households stood at 1.7% of GDP in the first quarter of the year[3] (1.4% in 2017). The investment pattern was very similar to that seen in recent years. Investors are reducing their investments in term deposits and bonds (-5% of GDP), as these products are unattractive in the context of very low interest rates, and they are investing significantly in more liquid assets (4.6%) and in mutual funds (2.6%). The most recent investment data on mutual funds show that

Financial investments stood at 1.7% of GDP. There were noteworthy divestments from bonds and term deposits and investments in more liquid assets and mutual funds, particularly in higher-risk categories.

3 Cumulative data from four quarters up to the first quarter of 2018.

unit-holders are making substantial net subscriptions in higher-risk categories: 12.8 billion in global funds, 12.5 billion in equity funds (including mixed funds) and 2.1 billion in absolute return funds.[4] In addition, net redemptions were recorded in passively managed funds (almost 5 billion).

Intervention measures for CFD products and binary options EXHIBIT 1

With regard to investor protection, the marketing of complex financial products to retail investors is a major source of concern for securities regulators and supervisors because of the risks inherent in such products and the possibility that they might not be appropriate for retail clients. This concern led the European Securities and Markets Authority (ESMA) at the end of May to approve – making use for the first time of the intervention powers provided for in the MiFIR (of the MiFID II package) – a set of product intervention measures relating to the provision of contracts for differences (CFDs) and binary options to retail investors. The new measures on CFDs ensure for the first time that investors cannot lose more money than they put in, restrict the use of leverage and incentives offered to trade and provide understandable risk warnings for investors.

The measures, published in the *Official Journal of the European Union (OJEU)* on 1 June, were applicable as from 2 July 2018 for binary options and from 1 August 2018 for CFDs.[1] These measures consisted of:

i) **Binary options:** A ban on the marketing, distribution or sale of binary options to retail investors.

ii) **Contracts for differences:**

- Leverage limits on the opening of a position by a retail client. This limit is 30:1 for major currency pairs; 20:1 for non-major currency pairs, gold and major indices; 10:1 for commodities other than gold and non-major equity indices; 5:1 for individual equities and other reference values; and 2:1 for cryptocurrencies.
- A margin close out rule on a per account basis. This will standardise the percentage of margin (at 50% of minimum required margin) at which providers are required to close out one or more retail client's open CFDs.
- Negative balance protection on a per account basis. This will provide an overall guaranteed limit on retail client losses.
- A restriction on the incentives offered to trade CFDs.
- A standardised risk warning, including the percentage of losses on a CFD provider's retail investor accounts.

4 Cumulative data from four quarters up to June 2018. For further details, see Section 4.1.

These measures were adopted taking into account the cross-border nature of the trading of binary options and CFDs, as well as the desirability of establishing a harmonised approach at a European level, and are applicable to those who market, distribute and sell these products to retail investors in the European Union. These measures were initially applicable for three months, after which ESMA decided to extend them for a further three months.

The CNMV shares and supports the measures adopted by ESMA and considers that the product intervention power is an appropriate tool for protecting investors. In addition, the exercise of this power by ESMA ensures that retail clients across the European Union share a common level of protection, thus avoiding regulatory arbitrage practices.

It should be noted that the CNMV's 2018 Activity Plan already included the objective of approving restrictive measures relating to trading with binary options and CFDs, consistent with the measures decided by ESMA, and a horizontal review of compliance with restrictions that might be approved both by ESMA and by the CNMV. The horizontal monitoring also included a review of compliance with the Circular on warnings in the event that the Circular is in force at the time of such monitoring.

CNMV Circular 1/2018, of 12 March, on warnings relating to financial instruments, entered into force on 27 June, before the measures adopted by ESMA, and it is therefore important to clarify the interaction between both provisions, which fundamentally affects CFDs. As CFDs are particularly complex financial instruments, the entities that market them must make the warnings provided for in Rule Two of the aforementioned Circular as from 27 June (date of its entry into force). However, the CNMV has considered that as from 1 August (date of entry into force of the intervention measures adopted by ESMA relating to CFDs), the warning provided by ESMA in relation to CFDs must be made. However, the requirement to obtain the signature of the retail customer together with their handwritten declaration, which must accompany the text of the warning included in the ESMA measures, is maintained.

At any event, the CNMV has deemed it acceptable for entities to have used the warnings provided for in ESMA's decision on CFDs instead of those required by the CNMV since 27 June, even though that decision came into force at a later date.

The cases of inappropriate marketing of certain financial instruments in Spain – and in other European countries – have revealed shortcomings in retail clients' understanding of the nature and risks of financial instruments when they make investment decisions. In this context, ESMA's intervention measures, the new CNMV regulation and the possible restrictive measures that the CNMV may adopt in the future to provide continuity to those adopted by ESMA form part of the efforts aimed at strengthening retail investor protection. These should be complemented by a regular assessment of the measures in order to check their effectiveness and, where necessary, revise them accordingly.

1 These measures were approved by ESMA's Board of Supervisors on 22 May 2018 making use, for the first time following entry into force on 3 January, of the product intervention powers laid down in Article 40 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments.

2.3 Outlook

The IMF forecasts global economic growth of 3.7% in both 2018 and 2019.

The forecasts published by the IMF in October lower the global growth expected for this year and for next year to 3.7% (0.2 percentage points down on the rates forecast in July) due to the materialisation of some sources of risk, including restrictions on world trade. The IMF expects US GDP to grow by 2.9% this year (the same figure as forecast in June, as the negative effects resulting from the restrictions on trade are offset by the tax cut) and by 2.5% next year, while growth in the euro area has been downgraded for 2018 to 2.0% (0.2 percentage points down) and has been kept the same for 2019 at 1.9%. This downgrade has been fairly widespread across all European countries. Finally, the set of emerging economies are expected to grow by 4.7% in 2018 and in 2019, 0.2 and 0.4 percentage points down on the July forecast, with a general slowdown in growth noted in the emerging economies of all geographic areas, which will be more intense in Latin America and Eastern Europe.

The downside risks to global growth have intensified and are linked to the possible adoption of new protectionist measures and to a tightening of financial conditions, which might have a significant impact on some emerging economies.

The downside risks to the forecast economic growth scenario have accentuated and, in some cases, have started to materialise. This is the case, as mentioned above, of the decisions taken on trade and the uncertainty that still exists about how these decisions will develop. In this regard, the IMF has indicated that avoiding protectionist reactions and finding cooperative solutions among countries that will encourage growth in the trade of goods and services is essential for maintaining and extending the global economic expansion. On the other hand, while the normalisation of monetary policy in the United States continues, a sharper or quicker tightening of financial conditions than expected might have a negative impact on some emerging economies, especially those that are subject to economic imbalances and political uncertainties or that have already recently experienced pressures on their exchange rates and capital flows (Argentina and Turkey).

Gross domestic product

TABLE 3

Annual % change

					IMF[1]	
	2014	2015	2016	2017	2018	2019
World	3.6	3.4	3.2	3.7	3.7 (-0.2)	3.7 (-0.2)
United States	2.6	2.9	1.5	2.2	2.9 (0.0)	2.5 (-0.2)
Euro area	1.3	2.1	1.8	2.4	2.0 (-0.2)	1.9 (0.0)
Germany	1.9	1.5	1.9	2.5	1.9 (-0.3)	1.9 (-0.2)
France	0.9	1.1	1.1	2.3	1.6 (-0.2)	1.6 (-0.1)
Italy	0.1	1.0	0.9	1.5	1.2 (0.0)	1.0 (0.0)
Spain	1.4	3.4	3.3	3.0	2.7 (-0.1)	2.2 (0.0)
United Kingdom	3.1	2.3	1.8	1.7	1.4 (0.0)	1.5 (0.0)
Japan	0.4	1.4	1.0	1.7	1.1 (0.1)	0.9 (0.0)
Emerging economies	4.7	4.3	4.4	4.7	4.7 (-0.2)	4.7 (-0.4)

Source: IMF.

1 In brackets, change compared with the previous published forecast (IMF, forecasts published in October 2018 compared with July 2018).

In Europe, the banking sector continues to face circumstances that make it difficult to achieve higher profits, such as very low interest rates, excess capacity and the proportion of non-productive assets in some countries. Furthermore, increased uncertainty in Italy and the possibility of a Brexit with no deal with the European Union might generate periods of volatility in European financial markets.

In Europe, the main risks are concentrated in the weakness of the banking sector, the political uncertainty in Italy and the possibility of a no-deal Brexit.

The materialisation of some of the risks discussed above or the interaction of several of them might trigger rises in credit risk premiums, which are currently heavily compressed for some assets, and adjustments in the prices of international bond and equity instruments.

The materialisation of some of these risks might trigger significant adjustments in the price of financial assets on international markets.

According to the IMF's October forecast, the Spanish economy will grow by 2.7% this year (0.1 percentage points less than in the previous July forecast) and by 2.2% in 2019. Following the same line, the Bank of Spain has downgraded the forecast for this year to 2.6% and to 2.2% for next year (0.1 and 0.2 percentage points down, respectively), as a result of higher oil prices, the slowdown in the growth of some emerging economies and other factors of uncertainty. The main domestic challenges for the Spanish economy continue to be related to the unemployment rate – which, despite the improvement recorded over recent years, stands at 15.3% – and the fiscal consolidation process. With regard to this last point, the most recent forecasts[5] place the public deficit at 2.8% of GDP in 2018 and 2.5% in 2019 (0.6 and 1.2 percentage points above the projections of the Budgetary Plan published by the Government in 2018). The main sources of political risk for the economy are linked to the difficulty in carrying out legislative initiatives in an extremely fragmented political scenario and the continuation of tensions in Catalonia.

The Bank of Spain has downgraded the growth forecast for this year to 2.6% as a result of higher oil prices and other elements of uncertainty.

3 Spanish markets

The Spanish financial markets stress index – which had risen in February to a level of 0.27 (very close to the area classified as medium stress) – fell in subsequent weeks to annual lows of 0.15.[6] In the middle months of the year, the episode of political uncertainty in Italy and the fears of a trade war triggered a slight increase in the index, but it remains at levels in line with low stress.[7] The highest stress levels are noted in the bonds and financial intermediary segments. In the case of the former,

The Spanish financial market stress index has undergone slight upturns in the year but remains at levels compatible with low stress.

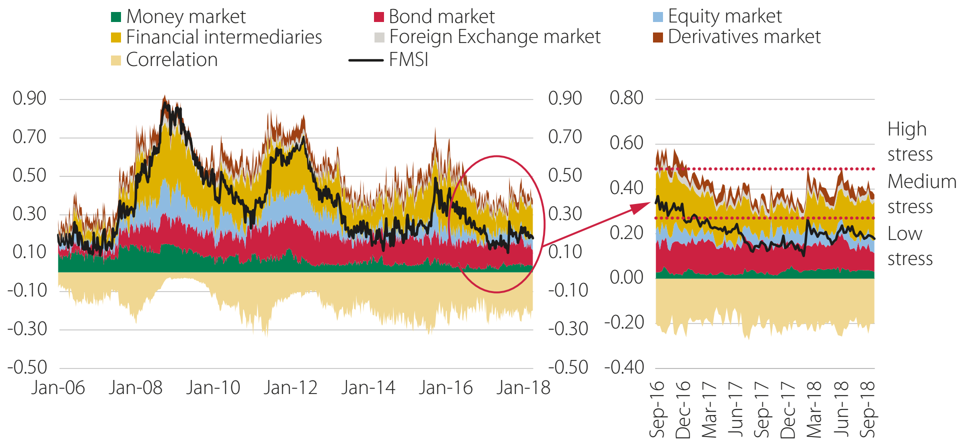
5 Bank of Spain.

6 The stress indicator calculated by the CNMV provides a real-time measurement of systemic risk in the Spanish financial system in the range of zero to one. To do so, it assesses stress in six segments of the financial system and aggregates them into a single figure bearing in mind the correlation between said segments. Econometric estimates consider that market stress is low when the indicator stands below 0.27, at a medium level in the interval of 0.27 to 0.49, and high when readings exceed 0.49. For more detailed information on the recent progress of this indicator and its components, see the CNMV's quarterly *Financial Stability Note* and statistical series (Market stress indicators) available at http://www.cnmv.es/portal/menu/Publicaciones-Estadisticas-Investigacion.aspx. For further information on the methodology of this index, see Cambón, M.I. and Estévez, L. (2016). "A Spanish Financial Market Stress Index (FMSI)", *Spanish Review of Financial Economics* 14 (1), pp. 23-41, or as CNMV Working Paper No. 60 (http://www.cnmv.es/DocPortal/Publicaciones/MONOGRAFIAS/Monografia_60_en.pdf).

7 The latest figure, with information up to 28 September, is 0.18.

this is due to the fall in liquidity and the upturn in the risk premium in May, while in the case of the latter, this is due to the fall in share prices and the increase in credit risk premiums as a result of exposure to different sources of uncertainty (Italian debt, emerging countries, etc.).

Spanish financial market stress index FIGURE 12



Source: CNMV.

Despite this, there are some perceived risks for financial markets, especially in the debt segment.

The most significant risks that continue to be noted in financial markets are liquidity risk and market risk, particularly in debt markets, and also the risk of contagion between assets, markets and investors.

3.1 Equity markets

Several elements of uncertainty, of a very diverse nature (economic and political), and also with different geographic origins, have caused Spanish equity prices to fall during almost the whole year.

Prices in Spanish equity markets, which had suffered significant falls in the first few months of the year, stabilised in the middle of the year and then began to fall again in the third quarter. As a result of these movements, the main benchmark index in the Spanish market reached its lowest levels in September since December 2016. The fall in prices resulted from growing fears of an escalation in the trade war between the United States, the European Union and China,[8] the problems of the Turkish and Argentinean economies and the concern about contagion to other emerging economies, such as Mexico and Brazil, where Spanish companies hold significant economic interests. At a European level, political uncertainties in Italy, which had eased in the middle months of the year, rose again at the end of September after the presentation of a deficit target (2.4% of GDP) that was much higher than expected by the market and, in addition, doubts remain as to how Brexit will be carried out. In Spain, economic growth and some economic indicators began to show the first signs of a slowdown.

The Ibex 35, which fell by 2.4% in the third quarter, has accumulated losses of 6.5% in 2018, a relatively worse performance than that of other European benchmark indices.

The Ibex 35, which had fallen by 4.4% in the first quarter of the year and had remained practically unchanged in the second, fell again by 2.4% in the third quarter.

8 The latest steps in this area have been the battery of tariffs established by the United States to China for an amount of 200 billion dollars.

So far this year, this index has accumulated losses of 6.5%, the largest out of the main European benchmark indices,[9] in an environment of low volatility and slight increases in trading. In terms of corporate size, the companies whose share prices performed most favourably in the third quarter were mid-cap companies. These companies recorded slight gains both in the third quarter (0.8%) and in the year as a whole (1.3%). The share prices of small-cap companies, which had recorded very high gains in the first half of the year due to the support of institutional investors and their limited supply, fell by 5.6% in the third quarter as they suffered more from the slowdown in growth of the domestic economy. However, in the year as a whole, these companies have recorded gains of 10.7%.

In an environment of volatile exchange rates, Latin American stock indices have managed to record gains during the year.

The indices that reflect movements in Latin American securities listed in euros recorded significant gains in the quarter, which partially offset the sharp falls recorded in the second quarter. So far this year, the FTSE Latibex All-Share and the FTSE Latibex Top indices have risen by 8.4% and 9.9%, respectively, in an environment of high volatility in exchange rates[10] of Latin American currencies against the euro.

9 With the exception of the French Cac 40, which performed positively both in the quarter and in the year as a whole (3.2% and 3.4%, respectively), the main European indices have recorded losses over the year: Eurostoxx 50 (0.1% quarterly and -3.0% annual), Dax 30 (-0.5% and -5.2%, respectively) and Mib 30 (-4.2% and -5.2%, respectively).

10 So far this year, the Brazilian real has depreciated by 16.5% against the euro, while the Mexican peso has appreciated by 7.6%.

Performance of Spanish stock market indices and sectors

TABLE 4

Indices	2015	2016	2017	III-17[1]	IV-17[1]	I-18[1]	II-18[1]	III-18[1]	% / Dec-17
Ibex 35	-7.2	-2.0	7.4	-0.6	-3.3	-4.4	0.2	-2.4	-6.5
Madrid	-7.4	-2.2	7.6	-0.4	-3.2	-3.9	-0.1	-2.5	-6.3
Ibex Medium Cap	13.7	-6.6	4.0	-3.3	-0.2	-1.4	1.9	0.8	1.3
Ibex Small Cap	6.4	8.9	31.4	2.8	15.1	11.1	5.6	-5.6	10.7
FTSE Latibex All-Share	-39.2	71.0	9.0	12.4	-2.4	11.1	-12.4	11.4	8.4
FTSE Latibex Top	-34.6	67.8	7.3	13.8	-7.2	7.5	-9.4	12.9	9.9
Sectors[2]									
Financial and real estate services	**-24.2**	**-1.6**	**10.5**	**2.6**	**-6.1**	**-3.7**	**-8.7**	**-5.1**	**-16.5**
Banks	-26.0	-1.8	10.6	3.0	-6.6	-4.5	-9.9	-5.3	-18.5
Insurance	-5.0	15.5	0.1	-7.8	-0.6	-0.9	-0.2	2.3	1.1
Real estate and others	18.4	-2.3	17.6	0.0	0.8	-5.6	3.3	-10.9	-13.1
Oil and energy	**0.6**	**0.8**	**3.9**	**-1.0**	**-1.7**	**-4.8**	**12.0**	**-1.4**	**5.1**
Oil	-34.9	32.6	9.9	16.3	-5.4	-2.2	16.3	2.4	16.4
Electricity and gas	9.6	-4.3	2.0	-5.2	-0.6	-6.1	10.6	-2.5	1.2
Basic materials, industry and construction	**2.1**	**2.0**	**2.6**	**-8.9**	**4.4**	**-1.8**	**2.4**	**2.7**	**3.3**
Construction	4.9	-7.9	9.9	-6.4	4.0	-7.3	6.7	4.5	3.3
Manufacture and assembly of capital goods	49.0	7.8	-19.3	-23.5	2.7	8.1	-6.2	-5.2	-3.8
Minerals, metals and metal processing	-30.8	48.8	14.2	4.3	8.3	1.8	-6.2	7.5	2.6
Engineering and others	-39.6	9.9	-9.9	-6.4	4.5	-2.0	7.2	-1.4	3.5
Technology and telecommunications	**-5.2**	**-9.0**	**7.5**	**2.7**	**-4.2**	**-0.2**	**-0.9**	**4.8**	**3.7**
Telecommunications and others	-12.3	-14.2	-5.1	1.6	-10.3	-0.1	-8.5	-5.3	-13.5
Electronics and software	22.2	7.9	36.6	5.0	7.6	-0.3	11.9	17.4	31.0
Consumer goods	**30.9**	**0.2**	**-2.1**	**-3.9**	**-5.3**	**-8.4**	**12.4**	**-6.5**	**-3.8**
Textile, clothing and footwear	33.6	2.6	-10.4	-5.1	-8.9	-12.4	15.0	-10.8	-10.1
Food and drink	26.4	-5.4	5.2	-1.1	0.9	3.7	1.7	1.4	7.0
Pharmaceuticals and biotechnology	23.5	-6.4	14.6	-4.0	-1.0	-5.6	11.5	-0.8	4.4
Consumer services	**10.4**	**-8.0**	**23.3**	**-3.8**	**5.8**	**-4.0**	**-1.1**	**-4.9**	**-9.7**
Leisure, tourism and hotel and catering	33.0	-4.7	3.4	-6.9	4.9	-0.3	-0.1	-9.9	-10.4
Transport and distribution	29.6	-15.7	32.3	-7.3	8.3	-3.4	1.7	-2.7	-4.3

Source: BME and Thomson Datastream.

1 Change on the previous quarter.

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

Almost every sector recorded losses in the third quarter of the year, which were more intense in tourism, telecommunications and real estate companies.

The behaviour of prices was uneven between sectors and shares over the third quarter, with more price falls recorded than price increases. The largest depreciations were suffered by tourism companies, which were affected by the falls in the sector's figures this summer; the leading textile company (Inditex), as a result of doubts about its business model in the context of the strong growth of e-commerce companies; and by real estate sector companies. Furthermore, although to a lesser extent, falls were also recorded in the prices of banks and the largest telecommunications company (Telefónica), as a result of their exposure to emerging economies, especially to Turkey and Argentina (see Table 4). Gains were recorded by the leading company in the travel technology sector (Amadeus), which was boosted by investors' interest in technology companies and its inclusion in the European Eurostoxx 50 index, and some companies in the construction, commodities, food and insurance sectors.

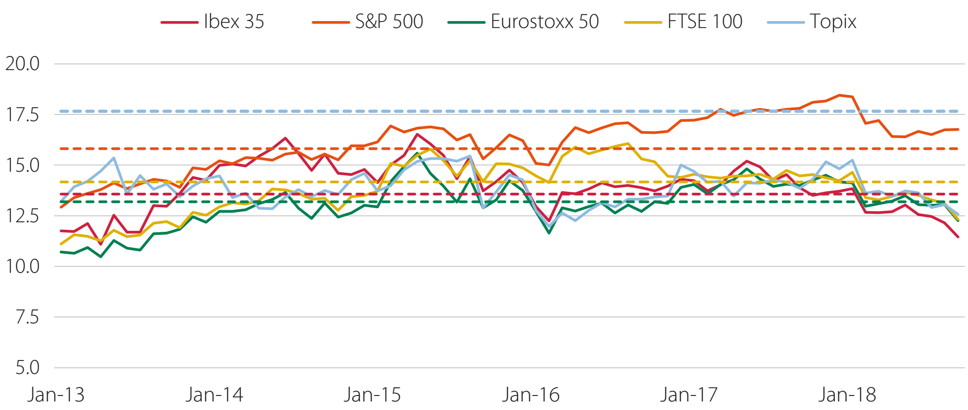
The cumulative figures for the year show price falls in the financial and real estate services sector (-16.5%), the consumer services sector (-9.7%) and the consumer goods sector (-3.8%). In contrast, the gains were concentrated in the oil and energy sector (5.1%), the technology and telecommunications sector (3.7%) and the basic materials, industry and construction sector (3.3%).

So far this year, the prices that have fallen most are those of banks, real estate companies and telecommunication companies, all of which fell by over 13%.

The fall in share prices in the third quarter, together with continued growth in expected corporate earnings in the coming months, allowed the Ibex 35 price/expected earnings (P/E) ratio to fall from 12.6 in mid-June to 11.4 in September and to reach its lowest level since 2013. As shown in Figure 13, the P/E ratios of the leading global stock market indices performed unevenly over the quarter, with slight rises for the US S&P 500 index and decreases for the European Eurostoxx 50, the British FTSE 100 and the Japanese Topix. So far this year, with the exception of the S&P 500 index, all ratios have remained below their 2010-2017 average values – a trend that at the end of 2017 was only seen in the Japanese Topix index.

The fall in share prices led to the Ibex 35 P/E ratio falling to 11.4, its lowest level since 2013 and well below its historic average.

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



Source: Thomson Datastream. Data to 15 September.

1 Twelve-month forward earnings.

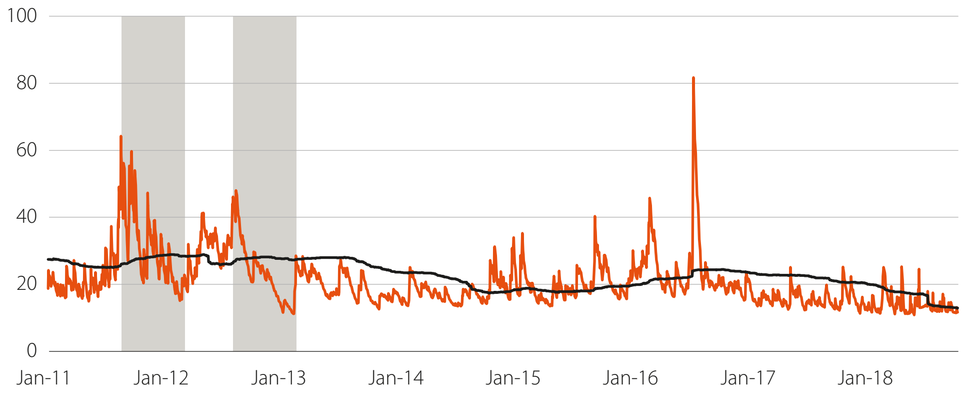
The volatility of the Ibex 35, which recorded some temporary upturns in the first half of the year as a result of the episodes of uncertainty in US stock markets[11] and then in Italy, fell again to close to 10% at the end of the third quarter. This value is lower than the average of the previous two quarters (13.41% and 13.78%, respectively) and stands below the average for 2017, when it reached its lowest level in recent years – below 13%. The movements in the volatility of the Spanish market have been similar to those of other European markets and that of the European Eurostoxx 50 index (10.2% at the end of the quarter), all of which are in the area of historic lows. The volatility of US markets also fell to the area of

The volatility of the Ibex 35 has recorded slight temporary upturns over the year, but at the end of September fell once again to values of close to 10%.

11 The volatility indicator for these markets (VIX index) exceeded 30% in the first quarter of the year (see Figure 7).

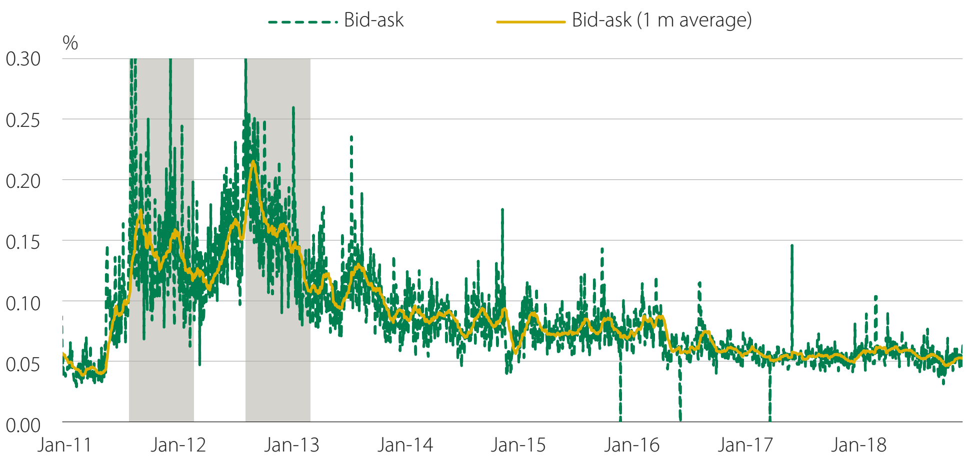
historic lows[12] at the end of the third quarter, although it has moved within a wider range during the year.

Historical volatility of the Ibex 35 FIGURE 14



Source: Thomson Datastream and CNMV. The black line tracks conditional volatility and the red line unconditional volatility. The grey shaded areas refer to the introduction and lifting of the short selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting on 23 July 2012 and ending on 1 February 2013. The first ban affected financial institutions and the second ban applied to all listed companies.

Ibex 35 liquidity. Bid-ask spread FIGURE 15



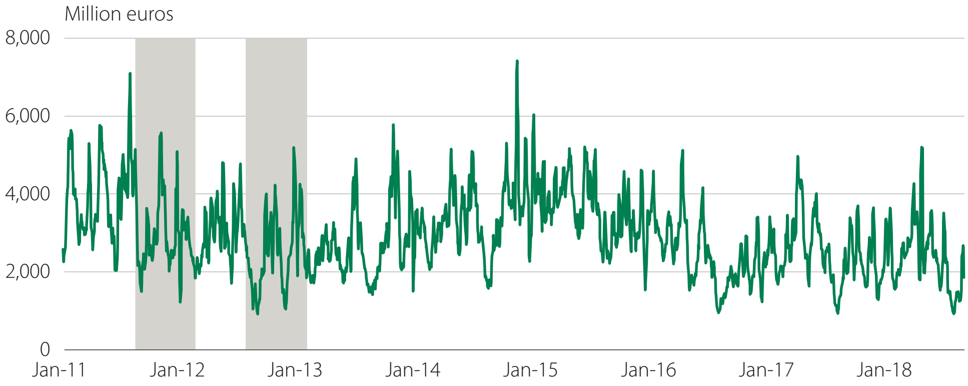
Source: Thomson Datastream and CNMV. The curve represents the bid-ask spread of the Ibex 35 along with the average of the last month. The grey shaded areas refer to the introduction and lifting of the short selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting on 23 July 2012 and ending on 1 February 2013. The first ban affected financial institutions and the second ban applied to all listed companies.

Equity market liquidity improved in the third quarter of the year.

Ibex 35 liquidity, as measured by the bid-ask spread, improved slightly in the third quarter of the year, favoured by the fall in market volatility. This spread stood at 0.05% at the end of the third quarter, slightly below the average of the two previous quarters (0.06% and 0.055%, respectively), as well as the average for 2017 as a whole (0.054%) and the indicator's historic average (0.093%).

12 The Dow Jones historical volatility indicator has fallen below 10%.

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



Source: CNMV. The grey shaded areas refer to the introduction and lifting of the short selling ban running from 11 August 2011 to 16 February 2012, and the later ban starting on 23 July 2012 and ending on 1 February 2013.

1 Moving average of five trading days.

Trading levels remained stable in the third quarter of the year, and are the result of the fall in trading on BME and…

Spanish equity trading, which had recovered slightly in the first half of the year, remained stable in the third quarter (0.5% compared with the third quarter of 2017) as a result of increased economic uncertainties worldwide, as well as the context of low volatility – which discourages some types of trading, such as algorithmic trading. As in previous quarters, the movements in trading are the result of the fall in the amount traded on BME (-7.2% annual) and the increase in trading on platforms other than the home market (14.8%), which are offering a high level of competition. In daily terms, trading on the electronic market stood on average at 1.8 billion euros in the third quarter, below the 2.29 billion euros and 3.02 billion euros in the previous quarters and the cumulative average so far this year of 2.36 billion euros, as shown in Figure 16.

… the increase in the trading of Spanish shares on other foreign platforms. The market share of these platforms now stands at 40% of total trading.

As a result of these trends, the share of foreign markets in the trading of Spanish securities, which in the second quarter had fallen below one third of the total amount traded, grew significantly again in the third quarter, reaching a new historic high of close to 40% (38.6% in the first quarter, 32.5% in the second quarter and 31.7% in 2017 as a whole). The regulated market Cboe Global Markets (Cboe) (which operates through two different order books, BATS and Chi-X), with trading of over 62.5 billion euros in the third quarter, continued to gain market share and accounted for over 80% of the total amount of Spanish shares traded abroad (see Table 5). Turquoise also slightly improved its market share to 13.5% (of foreign trade), while the other operators continued to lose business volume and account for just over 6%.

For the year as a whole, share trading has risen slightly by 1.4%.

For the year as a whole, the volume of trading of Spanish securities stands at 709.8 billion euros, 1.4% up on the first three quarters of 2017. Of this amount, 448 billion was traded on BME (6.4% down on the 2017) and the rest was traded on other markets and platforms (up 18%).

During the year, a total of 18 securities traded on Spanish stock exchanges have been temporarily unable to make use of the transparency waivers as a result of exceeding certain trading volumes.

In the area of trading, in accordance with the market transparency requirements resulting from MiFID II/MiFIR, 18 securities traded on the Spanish stock markets this year have been affected by the established trading thresholds, which trigger the suspension of the application of the transparency waivers allowed for under this regulation.[13] Consequently, these waivers have temporarily not been allowed for trading with the securities, thus facilitating the price formation process.[14] In Spain, the CNMV has authorised a waiver on transaction matching on shares or ETFs admitted to trading on the Spanish stock exchanges and MAB or LATIBEX at the average price of the best current buying and selling position in a reference market. This waiver is included within the category of "reference price waivers", and is therefore subject to the aforementioned volume cap mechanism.

Trading in Spanish shares listed on Spanish exchanges[1]

TABLE 5

Million euros

	2014	2015	2016	2017	I-18	II-18	III-18
Total	**1,002,189.0**	**1,161,482.8**	**877,413.3**	**934,377.1**	**234,555.7**	**281,299.7**	**193,976.4**
Listed on SIBE	**1,002,095.9**	**1,161,222.9**	**877,402.7**	**934,368.3**	**234,554.7**	**281,296.3**	**193,974.0**
BME	849,934.6	925,978.7	631,107.2	634,990.9	143,131.5	189,282.3	116,051.4
Chi-X	95,973.0	150,139.9	117,419.4	117,899.2	26,830.1	28,550.0	25,272.1
Turquoise	28,497.5	35,680.5	51,051.8	44,720.1	10,900.3	11,015.5	10,543.9
BATS	18,671.0	35,857.6	44,839.8	75,411.6	46,765.7	44,872.1	37,214.3
Other[2]	9,019.8	13,566.2	32,984.5	61,346.5	6,927.0	7,576.4	4,892.3
Open outcry	**92.4**	**246.1**	**7.5**	**8.1**	**1.0**	**3.1**	**2.0**
Madrid	32.7	19.4	3.2	1.8	0.0	0.0	0.1
Bilbao	14.3	7.5	0.0	0.0	0.0	0.0	0.0
Barcelona	45.2	219.1	4.1	6.3	0.9	3.1	1.9
Valencia	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Second market	**0.7**	**13.8**	**3.2**	**0.7**	**0.1**	**0.3**	**0.4**
Pro memoria							
Foreign shares traded on BME	14,508.9	12,417.7	6,033.0	6,908.0	1,153.0	805.6	841.5
Alternative stock market (MAB)	7,723.2	6,441.7	5,066.2	4,985.8	1,401.5	1,020.4	762.0
Latibex	373.1	258.7	156.7	130.8	43.8	33.2	31.6
ETFs	9,849.4	12,633.8	6,045.2	4,464.1	981.0	957.3	456.6
Total BME trading	882,482.3	957,990.5	648,418.9	651,488.5	146,711.9	192,102.2	118,145.5
% Spanish shares on BME vs. total Spanish shares	84.8	80.1	71.9	68.3	61.4	67.5	60.1

Source: Bloomberg and CNMV.

1 Includes trading of Spanish shares subject to market or MTF rules (lit plus dark). Spanish shares on Spanish stock exchanges are those with a Spanish ISIN that are admitted to trading on the regulated market of Bolsas y Mercados Españoles (BME), i.e., not including the Alternative Stock Market (MAB). Foreign shares are those which are admitted to trading on the regulated market of BME whose ISIN is not Spanish.

2 Difference between the turnover of the EU Composite calculated by Bloomberg for each share and the turnover of the markets and MTFs.

13 Article 4.1 of MiFIR regulates the waivers relating to orders at reference prices from another market. These waivers may be suspended temporarily if any of the double volume caps are exceeded. CNMV communications on the transparency regime may be consulted at www.cnmv.es/Portal/MiFIDII_MiFIR/Mercados-Transparencia.aspx

14 At the closing date of this report (30 September), the suspension of the use of waivers affected four shares.

Capital increases and public offerings for sale

TABLE 6

	2015	2016	2017	IV-17	I-18	II-18	III-18
NUMBER OF ISSUERS[1]							
Total	**50**	**45**	**47**	**18**	**15**	**12**	**17**
Capital increases	45	45	45	18	14	12	17
Primary offerings	0	3	3	1	0	0	0
Secondary offerings	6	2	4	1	1	0	0
NUMBER OF ISSUES[1]							
Total	**111**	**81**	**91**	**26**	**22**	**14**	**17**
Capital increases	99	79	84	25	21	14	17
Primary offerings	0	4	4	1	0	0	0
Secondary offerings[2]	12	2	7	1	1	0	0
CASH AMOUNT[1] (million euros)							
Capital increases raising funds	**19,106.1**	**13,846.7**	**25,787.7**	**1,370.8**	**1,898.9**	**426.1**	**1,667.4**
With pre-emptive subscription right	7,932.6	6,513.3	7,831.4	531.6	574.7	63.0	0.0
Without pre-emptive subscription right	0.0	807.6	956.2	100.0	0.0	0.0	0.0
Accelerated book builds	8,092.3	0.0	821.8	475.2	0.0	0.0	89.0
Increases with non-monetary consideration[3]	365.2	1,791.7	8,469.3	49.9	1,179.1	0.0	1,263.4
Capital increases by debt conversion	1,868.7	2,343.9	1,648.8	125.5	1.6	223.9	153.3
Other	847.4	2,390.2	6,060.2	88.6	143.5	139.2	161.7
Bonus issue[4]	**9,627.8**	**5,898.3**	**3,807.3**	**720.1**	**1,362.8**	**133.1**	**2,120.3**
Of which, scrip dividend	9,627.8	5,898.3	3,807.3	720.1	1,362.8	133.1	2,120.3
Total capital increases	**28,733.9**	**19,745.1**	**29,595.0**	**2,090.9**	**3,261.7**	**559.2**	**3,787.8**
Secondary offerings	**8,331.6**	**506.6**	**2,944.5**	**567.3**	**645.7**	**0.0**	**0.0**
***Pro memoria*: MAB transactions[5]**							
Number of issuers	16	15	13	3	1	3	3
Number of issues	18	21	15	4	3	3	4
Cash amount (million euros)	177.8	219.7	129.9	26.2	13.2	95.7	52.3
Capital increases	177.8	219.7	129.9	26.2	13.2	95.7	52.3
Of which, through primary offerings	21.6	9.7	17.1	3.0	0.0	0.0	0.0
Secondary offerings	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: BME and CNMV.

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

2 Transactions linked to the exercise of green shoe options are separately accounted for.

3 Capital increases with non-monetary consideration have been recorded at market prices.

4 In scrip dividends, the issuer gives existing shareholders the option of receiving their dividend in cash or converting it into shares in a bonus issue.

5 Transactions not registered with the CNMV.

Share issues fell both in the third quarter and in the year as a whole and several companies have delayed their IPO.

Equity issues made on Spanish markets amounted to 3.79 billion euros in the third quarter, less than half the amount issued in the same period of the previous year when Banco Santander's capital increase took place, which exceeded 7.1 billion euros (excluding the amount issued by this bank, equity issues in the third quarter of the year would have grown by 27% compared with the same period of 2017). In turn, the amount issued in the year to September (8.25 billion euros) is 72% down on the amount issued between January and September 2017.[15] Particularly

15 It is even lower than the amounts issued in any of the first three quarters of 2017 (8.72 billion, 11.07 billion and 10.09 billion).

noteworthy with regard to the type of issue in the third quarter were capital increases under scrip dividends, which accounted for over half of the total and almost double the amount of this category in the previous year, coinciding with the usual payment of dividends at the start of the summer by several large companies (see Table 6). Although several real estate companies had shown their interest in becoming listed on the market over the year, the unfavourable trend in share prices led to these plans being cancelled or delayed. However, the country's second largest oil company (CEPSA) has shown interest in becoming listed on the market again in the last quarter of the year, with registration of its prospectus with the CNMV on 2 October.

3.2 Fixed-income markets

The expectations relating to the ECB's monetary policy and some sources of uncertainty (Italy, Turkey…) set the tone for the performance of bond markets.

Both national and European bond markets have been subject to some volatility over the year in accordance with changes in economic and political circumstances. On the one hand, the monetary policies of the ECB[16] and the Federal Reserve[17] have followed different paths: while the ECB is in the initial stage of reducing its asset purchase programmes to zero and delaying raising interest rates until at least the summer of 2019, the Fed is immersed in the process of raising interest rates, due to the fact that the US economy is at a more advanced stage of the cycle. On the other hand, the uncertainties that have arisen again in Europe – in this case, relating to Italian public finances – also had an impact on bond markets and led to investors undoing positions in peripheral debt to the benefit of the debt of the major European economies. This behaviour increased the risk premiums of the former, while it reduced the yields on the latter. All of this took place in the context of a certain slowdown in economic activity in Europe and downgraded growth forecasts, which favoured sales in share markets and purchases of debt assets, which are considered to be safe havens.

The perception that rates will rise in the euro area sooner rather than later and the uncertainty arising from Italy explained a slight increase in long-term debt yields.

In Spain, interest rates had reached historic lows at the end of the first quarter thanks to the drop in the risk premium triggered by the good performance of the Spanish economy and, above all, by the improvements in the credit rating of the sovereign bond. However, there was a change in trend as from the second quarter, which became further consolidated as the third quarter progressed and rates moved slightly upwards. Several factors influenced this slight upward trend: firstly, the increased expectation that the ECB's accommodative monetary policy would end earlier than previously expected; secondly, the uncertainties relating to Italian public finances affected other peripheral economies, including the Spanish economy; and, lastly, it became increasingly likely that economic growth will start to slow down, which might have an effect on the public deficit. Consequently, the yields on Spanish government bonds and on corporate bonds rose slightly at all maturities on the curve, even though they continue to be favoured by the positive impact of the ECB's debt purchase programme. For its part, the risk premium remained relatively stable in the third quarter and ended September at 103 bp.

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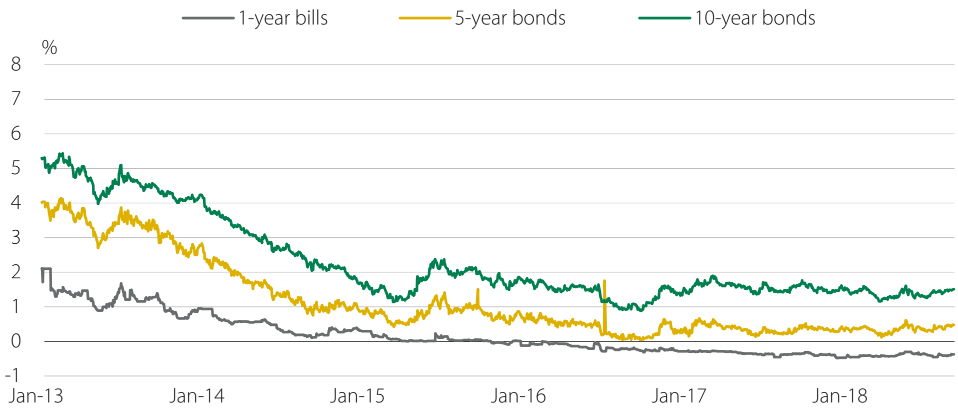
16 In mid-September, the ECB confirmed that the monthly pace of its debt purchases would be halved as from October to 15 billion euros and that these would continue until December of this year.

17 The Federal Reserve has raised its rates three times in 2018, the last time in September, to a range of 2 to 2.25% and is likely to make a further hike before the end of the year (see Section 2.1).

These increased uncertainties slowed the pace of debt issuance by Spanish issuers in the third quarter, although the changes were uneven between the different types of assets and issue markets. The amounts issued rose in the case of short-term commercial paper, while longer term financing fell significantly. It therefore seems that Spanish issuers are taking advantage of low short-term financing costs and that long-term financing (and refinancing) needs were largely covered in 2017, taking advantage of the buoyant period of the market and the support of the ECB's corporate sector purchase programme.

Fixed-income issues fell in the third quarter of the year, although there was a greater propensity towards issuing commercial paper and towards issuing abroad.

Spanish government debt yields FIGURE 17



Source: Thomson Datastream.

Yields on short-term government bonds have shown a slight upward bias as the year has progressed. Nevertheless, at the end of September, they remained at rates close to the historical lows of year-end 2017. Their movements have been dependent on the ultra-expansive rate policy maintained by the ECB, which, in theory, will continue well into 2019.[18] Accordingly, after almost three years recording negative values at every maturity, secondary market yields on 3-month, 6-month and 12-month Letras del Tesoro stood at -0.46%, -0.41% and -0.37%, respectively, at the end of September. These values are very similar to those of the previous quarter and are in line with the minimum annual yield established by the ECB in its debt purchase programs (the deposit facility rate). All auctions of Letras del Tesoro were again settled at negative rates, with the latest auctions performed in September settled at a similar rate to those in previous auctions. Short-term corporate bond yields recorded slight increases in the third quarter, which were somewhat greater in longer-term bonds. Yields on commercial paper when issued stood at values ranging between 0.31% for the 3-month benchmark and 0.36% for the 12-month benchmark (see Table 7).

Short-term yields recorded a slight upward trend as the year progressed, but they remain very close to historic lows thanks to the ultra-expansive monetary policy stance.

18 The ECB's president once again reiterated in mid-September that rates will continue at 0% at least through the summer of 2019.

Short-term interest rates[1]

TABLE 7

%

	Dec-15	Dec-16	Dec-17	Dec-17	Mar-18	Jun-18	Sep-18
Letras del Tesoro							
3 months	-0.15	-0.47	-0.62	-0.62	-0.55	-0.52	-0.46
6 months	-0.01	-0.34	-0.45	-0.45	-0.46	-0.43	-0.41
12 months	-0.02	-0.25	-0.42	-0.42	-0.42	-0.34	-0.37
Commercial paper[2]							
3 months	0.31	0.18	0.39	0.39	0.29	0.25	0.31
6 months	0.42	0.20	0.26	0.26	0.22	0.12	0.26
12 months	0.53	0.15	0.19	0.19	0.24	0.18	0.36

Source: Thomson Datastream and CNMV.

1 Monthly average of daily data.

2 Interest rates at issue.

Long-term government bond yields also rose slightly. Three-year bond yields turned positive in mid-September…

Yields on long-term government bonds rose slightly in the third quarter, as they did in other European economies, as a result of the prospect that the ECB's accommodative monetary policy will gradually disappear – including the Public Sector Purchase Programme[19] – in an environment that is not free from uncertainties. The average yield on 3-year, 5-year and 10-year government bonds in September stood at 0.0%, 0.49% and 1.51%, respectively (see Table 8). The 3-year benchmark started to show positive yields from mid-September, following 2 years in negative values. The average yield on the 10-year bond rose by 13 bp to 1.51% in September.

… a trend also followed by corporate bond yields.

Corporate bonds followed a similar path, with slight upturns that were mainly concentrated in the 5-year and 10-year maturities. Up to the 5-year maturity, yields on corporate bonds outstripped those on government bonds, while for the 10-year maturity, corporate yields remained below government bond yields as they are still supported by the positive effect of the ECB's corporate sector purchase programme,[20] which typically concentrates its purchases in longer-term issues, part of which are performed directly in the primary market.

19 The Public Sector Purchase Programme (PSPP) had accumulated by mid-September a purchase volume of 2.14 trillion euros, with 256.54 billion euros corresponding to Spanish debt.

20 At the end of September, the Corporate Sector Purchase Programme (CSPP) accumulated a volume of purchases amounting to 170.38 billion euros, of which 18.2% were performed in the primary market.

Medium and long term yields[1]

TABLE 8

%

	Dec-15	Dec-16	Dec-17	Dec-17	Mar-18	Jun-18	Sep-18
Government bonds							
3 years	0.24	0.04	-0.09	-0.09	-0.07	-0.06	0.00
5 years	0.72	0.35	0.31	0.31	0.30	0.41	0.49
10 years	1.72	1.44	1.46	1.46	1.35	1.38	1.51
Corporate bonds							
3 years	0.66	0.69	0.44	0.44	0.51	0.44	0.47
5 years	1.95	1.43	0.41	0.41	0.39	0.36	0.59
10 years	2.40	2.14	1.16	1.16	1.04	1.23	1.41

Source: Thomson Datastream, Reuters and CNMV.

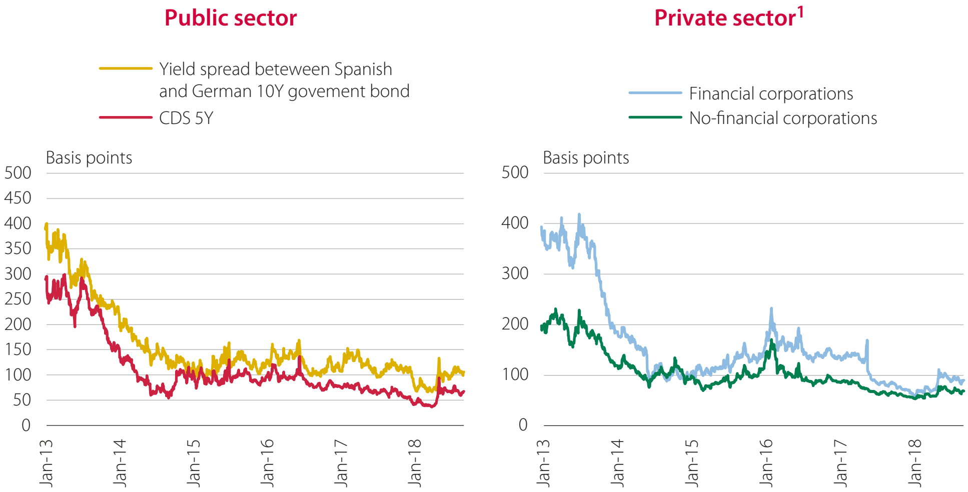
1 Monthly average of daily data.

The sovereign risk premium remained relatively stable in the third quarter, although it has recorded some temporary upturns, particularly in the previous quarter, as a result of some contagion of the problems with Italian public finances. In this context, the risk premium, measured as the spread between the Spanish sovereign bond and the 10-year German bond, stood at 103 bp at the end of September, very similar to the figure recorded at the end of the previous quarter and in a medium range between the lows recorded in April (66 bp) and the highs recorded in May (134 bp). The credit risk premium, assessed through the CDS of the Spanish sovereign bond – a less liquid market than that of the bond itself – followed a similar trend. Its value at the end of the third quarter stood at 67 bp, slightly below the 71 bp recorded in the previous quarter.

The sovereign risk premium has recorded temporary upturns in the year as a result of the contagion effect of the uncertainty relating to Italian public finances.

Risk premium paid by Spanish issuers

FIGURE 18



Source: Thomson Datastream and CNMV.

1 Simple average of the 5-year CDS of a sample of issuers.

The risk premiums of the private subsectors of the economy recorded slight falls in the third quarter, which were somewhat more intense in the case of financial institutions. As shown in the right-hand panel of Figure 18, the average of the CDS of financial institutions, which had risen to 111 bp at the end of May as a result of their

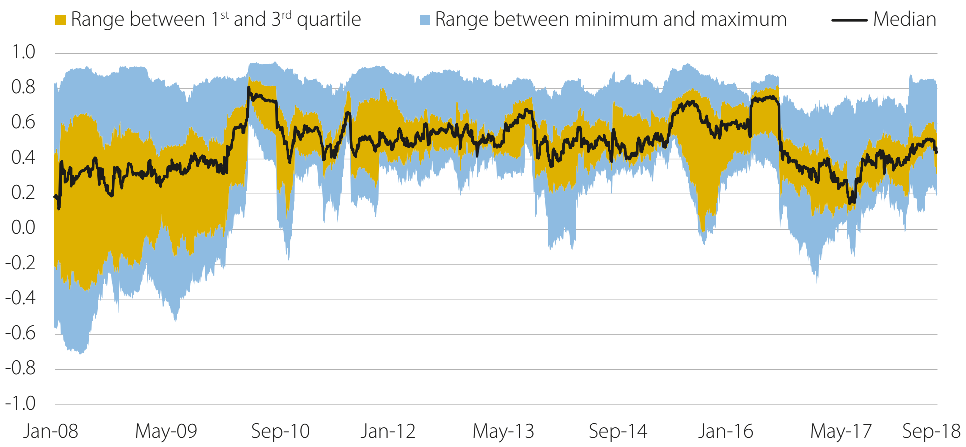
The risk premiums of the private sectors of the economy recorded a slight upturn in the middle of the year, but have since returned to a downward trend.

exposure to Italian debt assets and to some emerging economies undergoing difficulties, later fell to 90 bp at the end of September as a result of the easing of these uncertainties and the positive effect on this sector's profitability which is starting to be discounted in response to the shift in monetary policy. Average risk premiums for non-financial companies fell from 76 bp in the second quarter to 69 bp in the third quarter. Although the imminent disappearance of the ECB's corporate sector purchase programme, together with the likely increase in interest rates, fuel expectations of a medium-term increase in their finance costs, these companies have benefited from the positive performance of their operations.[21]

The level of correlation between Spanish assets, which had increased in the first half of the year, subsequently stabilised at values of 0.50.

The level of correlation between the different Spanish fixed-income and equity financial assets grew notably in the first part of the year and became consolidated over the third quarter at values close to, but slightly lower than, 0.50, a figure similar to the average of the last decade. Similarly, the minimum and maximum correlation values, which had increased slightly at the end of the first half of the year, coinciding with the time at which the political instability in Italy had the greatest impact on financial markets, subsequently moderated slightly.

Indicator of correlation between asset classes[1, 2] FIGURE 19



Source: Thomson Datastream and CNMV.

1 The indicator of correlation between asset classes is based on pairs of correlations calculated using daily data in three-month windows. The asset classes are sovereign debt, corporate fixed income of financial and non-financial firms and Ibex 35 stocks of financial companies, utilities and the other sectors. A high correlation between the different classes of Spanish assets would indicate the possible existence of herding behaviour by investors. This situation could lead to high volatility in periods of stress. In addition, diversification would hold out fewer advantages, since it would be harder to avoid exposure to sources of systemic risk.

2 As from 7 June 2017, the calculation of the return on the asset class corresponding to financial fixed income excludes the CDS on the 5-year senior debt of Banco Popular.

21 A considerable part of the companies considered in this average belong to the oil and energy sector, which for months have been favoured by, *inter alia*, the increase in the price of oil.

Gross fixed-income issues

TABLE 9

Registered with the CNMV	2014	2015	2016	2017	2018 I	2018 II	2018 III
NOMINAL AMOUNT (million euros)	**130,258**	**136,607**	**139,028**	**109,487**	**20,205**	**10,645**	**11,782**
Mortgage-covered bonds	23,838	31,375	31,643	29,824	5,125	1,700	5,050
Territorial-covered bonds	1,853	10,400	7,250	350	0	0	0
Non-convertible bonds and debentures	41,155	39,100	40,170	30,006	4,983	1,177	1,431
Convertible/exchangeable bonds and debentures	750	53	0	0	0	0	0
Asset-backed securities	29,008	28,370	35,505	29,415	5,431	3,534	1,048
Commercial paper[1]	33,654	27,310	22,960	17,911	3,416	3,884	3,254
Securitised	620	2,420	1,880	1,800	0	240	0
Other commercial paper	33,034	24,890	21,080	16,111	3,416	3,644	3,254
Other fixed-income issues	0	0	1,500	981	0	0	0
Preferred shares	0	0	0	1,000	1,250	350	1,000
Pro memoria:							
Subordinated issues	7,999	5,452	4,279	6,505	1,857	832	933
Underwritten issues	196	0	421	0	0	0	0

Abroad by Spanish issuers	2014	2015	2016	2017	2018 I	2018 II	2018 III[2]
NOMINAL AMOUNT (million euros)	**56,736**	**66,347**	**58,587**	**84,771**	**26,618**	**20,351**	**10,845**
Long term	35,281	33,362	31,655	61,125	14,136	9,359	2,600
Preferred shares	5,602	2,250	1,200	5,844	1,500	0	0
Subordinated debt	3,000	2,918	2,333	5,399	1,250	1,000	0
Bonds and debentures	26,679	28,194	28,122	49,882	11,386	8,359	2,600
Asset-backed securities	0	0	0	0	0	0	0
Short term	21,455	32,984	26,932	23,646	12,482	10,992	8,245
Commercial paper	21,455	32,984	26,932	23,646	12,482	10,992	8,245
Securitised	0	0	0	0	0	0	0

Pro memoria: **Gross issues of subsidiaries of Spanish companies resident abroad**

	2014	2015	2016	2017	2018 I	2018 II	2018 III[2]
NOMINAL AMOUNT (million euros)	**42,170**	**55,286**	**56,674**	**65,423**	**21,746**	**18,980**	**13,900**
Financial institutions	10,201	14,875	11,427	20,309	9,456	7,994	4,849
Non-financial companies	31,969	40,411	45,247	45,114	12,290	10,986	9,050

Source: CNMV and Bank of Spain.

1 The figures for commercial paper issues correspond to the amounts placed.

2 Data to 31 August.

Fixed-income issues fell in the third quarter…

The CNMV registered 11.78 billion euros of gross bond issues in the third quarter of the year, 10.4% down on the same period of the previous year. This low amount is the result of the substitution of debt issues abroad, which continue to grow, as well as the fact that the leading Spanish issuers have already covered a large part of their financing needs. The large non-financial companies brought forward their financing needs last year so as to take advantage of low financing costs and therefore their needs for this year are lower. Banks, for their part, had also taken advantage of the situation to obtain finance previously and more recently they have seen how market conditions have hardened, with increasing returns demanded by the market. In absolute terms, the largest falls were recorded in issues of asset-backed securities and, to a lesser extent, mortgage-covered bonds, which fell as a result of the slow expansion of lending and the reduced financing facilities offered by the ECB. In contrast, issues of commercial paper increased in relative importance to just under one third of the total.

… as well as in the year-to-date, as a result of the lower financing needs of these entities and the preference for issuing abroad.

So far this year, fixed-income issues amount to 42.63 billion euros, 30.8% down on 2017, with falls in every asset category except preferred shares thanks to two issues of this type aimed at institutional investors made by two financial institutions. The sharpest falls in amount corresponded to uncovered bonds (almost 10 billion euros so far this year), which are increasingly issued abroad, and mortgage-covered bonds (4.6 billion euros down), whose issue volume is dependent on the outstanding balance of mortgage lending, which has still not recorded any significant increase. The smallest fall was recorded in commercial paper (1.81 billion).

Debt issues abroad, which exceeded those registered with the CNMV in each quarter, are orientated more towards short-term assets.

As has been the case for several years, fixed-income issues made by Spanish issuers abroad have continued to grow and in every quarter in 2018 were higher than those registered with the CNMV. In the year to August, these issues amounted to 58 billion euros, 12.6% up on those recorded in the same period of 2017. This growth is concentrated in short-term debt issues, which are almost three times higher than in 2017, while long-term debt issues have fallen by 32.8% year-on-year. Short-term issues therefore account for 55% of the total issued abroad, compared with 25% in 2017. The fall in long-term issues is partly the result of the fall in the amounts of the corporate debt purchases by the ECB, given that most of these issues fall within the range of eligible assets under its corporate sector purchase programme. Issues by subsidiaries of Spanish companies abroad have also grown over the year (by 38.4% to 54.63 billion euros), as a result of the sharp growth in issues by financial institutions, which have doubled.

4 Market agents

4.1 Investment vehicles

Financial CIS[22]

Assets under management in mutual funds grew by 3.2% in the first half of 2018 to 274 billion euros…

Assets managed by Spanish mutual funds at the end of June 2018 amounted to 273.77 billion euros, 3.2% up on year-end 2017 (see Table 11). This demonstrates the consolidation of the expansion that began in 2013 – although at a slower rate of growth than in the first two years. The sector's assets now stand at levels very close to the maximum reached in the middle of 2007. This increase was exclusively the result of net subscriptions made during the half-year period – particularly in the first quarter – which exceeded 10 billion euros (see Table 10).

22 Hedge funds and funds of hedge funds are financial CIS, but due to their specific features they are described in a separate sub-heading.

Net mutual fund subscriptions TABLE 10

Million euros

				2017		2018	
	2015	2016	2017	III	IV	I	II
Total mutual funds	**23,466.6**	**13,782.4**	**21,338.4**	**3,458.6**	**5,645.1**	**8,913.1**	**2,018.9**
Fixed-income[1]	-5,351.4	7,613.8	-2,998.7	66.4	69.0	-1,056.0	-100.5
Mixed fixed-income[2]	21,167.5	-3,177.6	2,501.7	242.7	712.6	726.2	-54.0
Mixed equity[3]	8,153.8	-3,030.2	5,509.6	810.2	1,490.3	1,868.6	545.5
Euro equity[4]	468.9	-542.9	2,544.9	646.3	543.0	1,857.7	255.7
International equity[5]	4,060.5	346.6	4,502.9	1,022.7	1,115.3	1,543.9	799.1
Guaranteed fixed-income	-6,807.4	-3,202.7	-2,890.0	-931.7	-347.8	-198.5	-232.7
Guaranteed equity[6]	-2,599.8	5,478.4	-588.4	-454.4	-539.1	-261.6	-320.1
Global funds	5,805.3	3,579.9	12,984.3	1,641.8	3,638.8	4,835.2	2,703.7
Passively managed[7]	-6,264.2	5,790.0	-4,580.8	-734.2	-1,450.2	-1,146.7	-1,381.0
Absolute return[7]	4,811.4	946.4	4,378.9	1,148.9	439.2	744.3	-196.8

Source: CNMV. Estimated data.

1 Includes: Euro fixed-income, International fixed-income and Money market funds (from the third quarter of 2011, Money market funds encompass those engaging in Money market and Short-term money market investments, Circular 3/2011).

2 Includes: Euro mixed fixed-income and International mixed fixed-income.

3 Includes: Euro mixed equity and International mixed equity.

4 Includes: Euro equity.

5 Includes: International equity.

6 Includes: Guaranteed equity and Partial guarantee.

7 New categories since II-09. All Absolute return funds were previously classified in Global Funds.

… as a result of the high level of subscriptions by unit-holders, which exceeded 10 billion euros between January and June.

By far the largest inflows of resources were recorded in the category of global funds, which in a little over five years have seen their assets under management multiplied by ten. Net subscriptions in these funds amounted to 7.54 billion euros, followed by mixed equity funds, with 2.41 billion euros, and by international equity and euro equity funds, with net inflows of 2.34 billion euros and 2.11 billion euros, respectively. The largest net redemptions corresponded to passively managed funds (2.53 billion), which thus continued the downward trend that began in the previous year, which contrasted with the strong expansion in 2016. Fixed-income funds also recorded an outflow of resources (1.16 billion euros), as did, to a lesser extent, both guaranteed equity and guaranteed fixed-income funds (582 million and 431 million euros, respectively). This investor behaviour is similar to that seen in previous years, with a greater appetite for risk, but with two significant differences. Firstly, it seems that investors are investing in funds with an increasingly higher level of risk and, secondly, passively-managed funds, which had tripled their assets between 2014 and 2016, suffered significant redemptions in 2017 and the start of 2018.

The cumulative return of mutual funds was negative (-0.8%) as a result of the stock market losses in the first quarter of the year.

The return of mutual funds over the first 6 months of the year was slightly negative (-0.81%) due to the drop in stock market prices in the first quarter (see Table 11). This performance was relatively generalised across the different fund categories: between January and March every category recorded a negative return, with the exception of guaranteed funds, while returns were positive in most categories in the second quarter. In the first half of the year as a whole, every category recorded falls in the value of their portfolio, with the exception of euro equity funds (0.08%). Noteworthy among the other funds was the negative performance of absolute return funds (-1.49%) and mixed fixed-income funds (-1.37%).

The number of funds fell over the first half of the year, with a shift towards higher risk categories.

The supply of funds offered by management companies fell slightly in the first half of 2018, although with a much smaller reduction than that recorded in preceding years, particularly between 2012 and 2015. Between January and June this year, 80 funds were wound up, which, together with the 63 new funds during the period, meant that the number of funds at the end of the half-year period stood at 1,724. In line with the movements in assets under management, the largest falls were recorded in passively-managed funds and guaranteed equity funds, with 15 and 13 fewer funds, respectively. At the opposite end, the category with the largest growth in the supply of funds was international equity funds, with an increase of 18 funds to a total of 229. The number of global funds and mixed fixed-income funds also grew, with 11 and 6 more funds, respectively.

The significant increase in the number of unit-holders, more than 1.1 million investors in 6 months, left the total number of investors at 11.4 million.

In line with the trend in assets under management, the number of unit-holders in mutual funds rose by 11.2% to practically 11.4 million at the end of the half-year period. The largest increase was recorded in international equity funds, with 321,000 more unit-holders, followed by global funds and euro equity funds, with increases of 280,000 and 218,000, respectively. These three categories, whose risk level is considered to be medium-high, have at least doubled the number of unit-holders in the last two or three years.

The provisional data for July indicate that the expansion of mutual funds continues, with the buoyancy of high-risk categories remaining.

With the provisional data from July this year, it seems that the upward trend continues. The assets of mutual funds would have grown by 1% to 276.4 billion euros. The number of unit-holders, in contrast, would have fallen by 40,000 to slightly under 11.4 million, while the number of funds would have remained relatively stable.

The volume of the less-liquid assets of mutual funds has remained almost constant since 2015 and accounts for around 1.5% of total assets managed by mutual funds.

The liquidity conditions of the fixed-income portfolio, which had improved significantly from 2011, have remained stable over the last three years. The percentage of low liquidity assets held by mutual funds in recent quarters has ranged between 1.3% and 1.5% of total assets under management. These figures are far from those recorded in 2009, when they accounted for 9%. At the end of June 2018, the volume of low liquidity assets stood at 4.08 billion euros, 1.5% of the assets under management – the same percentage as over the last six months (see Table 12). With regard to the composition of these assets, there have been very few changes over the year and it is only necessary to note the progressive increase in low liquidity assets within the fixed income portfolio of financial institutions, which from the end of 2016 have been gradually increasing from 5.1% to 7.5% (with regard to the total financial fixed-income portfolio).

Main mutual fund variables*

TABLE 11

Number	2015	2016	2017	2017 III	2017 IV	2018 I	2018 II
Total mutual funds	**1,804**	**1,805**	**1,741**	**1,795**	**1,741**	**1,748**	**1,724**
Fixed-income[1]	319	306	290	294	290	284	281
Mixed fixed-income[2]	132	148	155	158	155	154	161
Mixed equity[3]	142	168	176	177	176	177	176
Euro equity[4]	109	112	111	113	111	106	108
International equity[5]	200	201	211	210	211	224	229
Guaranteed fixed-income	186	122	79	90	79	76	69
Guaranteed equity[6]	205	198	188	190	188	186	175
Global funds	178	203	225	223	225	241	236
Passively managed[7]	213	220	202	213	202	201	187
Absolute return[7]	97	106	104	106	104	99	102
Assets (million euros)							
Total mutual funds	**222,144.6**	**237,862.2**	**265,194.8**	**258,466.2**	**265,195.0**	**271,264.0**	**273,774.0**
Fixed-income[1]	65,583.8	74,226.4	70,563.9	70,297.1	70,563.9	69,325.4	68,881.3
Mixed fixed-income[2]	44,791.8	40,065.6	43,407.0	42,668.4	43,407.0	43,766.1	43,979.4
Mixed equity[3]	21,502.9	16,310.6	22,386.7	20,754.6	22,386.7	23,860.3	24,039.9
Euro equity[4]	9,092.9	8,665.9	12,203.2	11,753.3	12,203.2	13,714.2	14,282.2
International equity[5]	17,143.2	17,678.8	24,064.6	22,445.3	24,064.6	24,808.0	26,484.3
Guaranteed fixed-income	12,375.6	8,679.8	5,456.7	5,828.2	5,456.7	5,311.3	4,982.8
Guaranteed equity[6]	9,966.6	15,475.7	15,417.5	15,909.7	15,417.5	15,203.6	14,664.1
Global funds	12,683.3	20,916.8	35,511.5	31,439.9	35,511.5	39,908.6	42,633.5
Passively managed[7]	17,731.1	23,601.6	19,477.8	20,972.4	19,477.8	18,097.7	16,686.8
Absolute return[7]	11,228.1	12,215.2	16,705.9	16,371.3	16,705.9	17,269.0	17,139.7
Unit-holders							
Total mutual funds	**7,682,947**	**8,253,611**	**10,287,454**	**10,068,296**	**10,287,454**	**11,019,934**	**11,435,155**
Fixed-income[1]	2,203,847	2,347,984	2,627,547	2,660,197	2,627,547	2,711,617	2,840,000
Mixed fixed-income[2]	1,130,190	1,043,798	1,197,523	1,154,688	1,197,523	1,239,848	1,252,577
Mixed equity[3]	612,276	448,491	584,408	552,773	584,408	618,234	615,754
Euro equity[4]	422,469	395,697	710,928	663,541	710,928	877,146	929,169
International equity[5]	1,041,517	1,172,287	1,865,367	1,790,875	1,865,367	2,071,665	2,186,454
Guaranteed fixed-income	423,409	307,771	190,075	205,956	190,075	184,036	175,776
Guaranteed equity[6]	417,843	552,445	527,533	542,772	527,533	519,396	505,574
Global funds	381,590	658,722	1,086,937	985,627	1,086,937	1,236,975	1,366,657
Passively managed[7]	554,698	746,233	638,966	673,604	638,966	601,927	554,981
Absolute return[7]	479,182	565,325	858,170	823,971	858,170	959,090	1,008,213
Return[8] (%)							
Total mutual funds	**0.89**	**0.98**	**2.42**	**0.56**	**0.33**	**-1.04**	**0.23**
Fixed-income[1]	0.10	0.52	-0.13	0.05	-0.08	-0.26	-0.68
Mixed fixed-income[2]	0.16	0.27	1.10	0.38	0.12	-0.84	-0.53
Mixed equity[3]	0.15	1.19	3.23	0.80	0.57	-1.69	0.62
Euro equity[4]	3.44	2.61	11.16	0.55	-0.23	-1.77	1.88
International equity[5]	7.84	4.15	8.75	2.09	1.27	-3.51	3.59
Guaranteed fixed-income	0.27	-0.03	0.72	0.29	0.30	1.02	-1.30
Guaranteed equity[6]	1.07	0.19	1.61	0.48	0.03	0.35	-1.16
Global funds	2.45	1.99	4.46	0.94	1.31	-1.58	0.66
Passively managed[7]	0.53	1.16	2.13	0.50	-0.20	-0.51	0.23
Absolute return[7]	0.12	0.38	1.44	0.43	0.23	-0.93	-0.57

Source: CNMV.

* Information from funds which have sent reserved statements (therefore excludes funds in process of dissolution or liquidation).

1 Includes: Euro fixed-income, International fixed-income and Money market funds (from the third quarter of 2011, Money market funds encompass those engaging in Money market and Short-term money market investments, Circular 3/2011).

2 Includes: Euro mixed fixed-income and International mixed fixed-income.

3 Includes: Euro mixed equity and International mixed equity.

4 Includes: Euro equity.

5 Includes: International equity.

6 Includes: Guaranteed equity and Partial guarantee.

7 New categories since II-09. All Absolute return funds were previously classified in Global Funds.

8 Annual returns for 2015, 2016 and 2017. Quarterly data comprise non-annualised quarterly returns.

Estimated liquidity of mutual fund assets

TABLE 12

	Low liquidity investments					
	Million euros			% / total fixed-income portfolio		
Asset type	Dec-17	Mar-18	Jun-18	Dec-17	Mar-18	Jun-18
Financial fixed income rated AAA/AA	22	137	163	3.5	19.0	18.3
Financial fixed income rated below AAA/AA	1,929	1,978	1,972	7.0	7.1	7.2
Non-financial fixed income	925	931	974	5.2	4.8	4.9
Securitisations	1,058	1,014	969	93.8	92.9	94.7
AAA-rated securitisations	84	110	108	100.0	100.0	100.0
Other securitisations	974	905	861	93.3	92.1	94.1
Total	**3,934**	**4,061**	**4,079**	**8.4**	**8.3**	**8.3**
% of mutual fund assets	**1.5**	**1.5**	**1.5**			

Source: CNMV.

Real estate CIS

Overall, real estate CIS have suffered a slight contraction so far this year.

Despite the improvement in the construction and real estate sector since 2015, the key variables of real estate CIS worsened slightly in the first half of the year.

Of the three real estate funds that existed at year-end 2017, one has been wound up in 2018 and the others are expected to be wound up in the coming months…

Of the three real estate funds registered with the CNMV that have existed since 2015, one was wound up, leaving only two in operation. However, both vehicles informed the CNMV in 2011 and 2015 that they were initiating a liquidation process – as was the case with the third fund that has recently been wound up. In this context, the assets managed by real estate funds in the first 6 months of 2018 fell by 14.1%, while the number of unit-holders shrank by 56.0% to 483. The return of these funds left negative territory for the first time since the outbreak of the crisis and stood at 0.3% between January and June. It therefore seems that the recovery of the real estate sector is beginning to have an effect, albeit slight, on these funds.

… while the number of real estate investment companies has remained at four since the third quarter of 2017.

The number of real estate investment companies has remained constant since the third quarter of 2017 and hence at the end of June of this year there was a total of four entities. The assets managed by these companies fell by 9.6% to 572 million euros, while the number of shareholders grew significantly from 327 to 425. This was due to the fact that the last company registered in 2017 increased the number of shareholders from 1 to 100 (the legal minimum) by the established deadline.

Hedge funds

The hedge fund sector remained relatively stable between January and May of this year in terms of the number of funds (54 in total).

Hedge fund assets grew slightly (1.7%) in the first 5 months of 2018 and ended May at 2.82 billion euros. The number of funds that had submitted statements to the CNMV stood at 54, the same figure as at year-end 2017, although with one more hedge fund (47) and one fewer fund of hedge funds (7 at the end of May). The number of the latter has been falling since the start of the crisis, when there were 41 such funds in operation.

Assets managed by pure hedge funds – which account for over 80% of total assets under management – stood at 2.35 billion euros at the end of May (see Table 13), 2% up on December 2017 as a result of net subscriptions over those 5 months of 26.7 million euros and a slight increase in the value of the portfolio of 0.7%. In addition, the number of unit-holders rose by 10.5% and exceeded 4,000.

Assets managed by pure hedge funds grew by 2% to 2.3 billion and the number of unit-holders amounted to 4,000…

While the number of funds of hedge funds fell by one, the assets managed remained practically constant, with an almost imperceptible fall of 0.3% to 470.2 million euros. The number of unit-holders, in contrast, fell significantly by 22.4% to 2,791. The return of these funds in the period between January and May of this year was practically zero (-0.3%) after several years with relatively high values.

… while assets managed by funds of hedge funds have remained practically constant, following years of major adjustments.

Main hedge fund and fund of hedge fund variables TABLE 13

				2017		2018	
	2015	2016	2017	III	IV	I	II[1]
FUNDS OF HEDGE FUNDS							
Number	11	7	8	9	8	8	7
Unit-holders	1,265	1,237	3,591	3,534	3,596	3,605	2,791
Assets (million euros)	319.8	293.7	482.7	472.0	468.7	470.0	470.2
Yield (%)	6.16	0.90	-1.44	0.36	-0.13	-0.37	0.12
HEDGE FUNDS							
Number	37	41	46	46	46	47	47
Unit-holders	3,089	2,930	3,656	3,444	3,656	3,973	4,040
Assets (million euros)	1,764.8	1,889.2	2,298.2	2,192.0	2,298.2	2,329.7	2,344.7
Yield (%)	4.83	4.32	2.67	1.03	0.80	-0.91	1.59

Source: CNMV.

1 Data to May, except number of vehicles, which are shown to June.

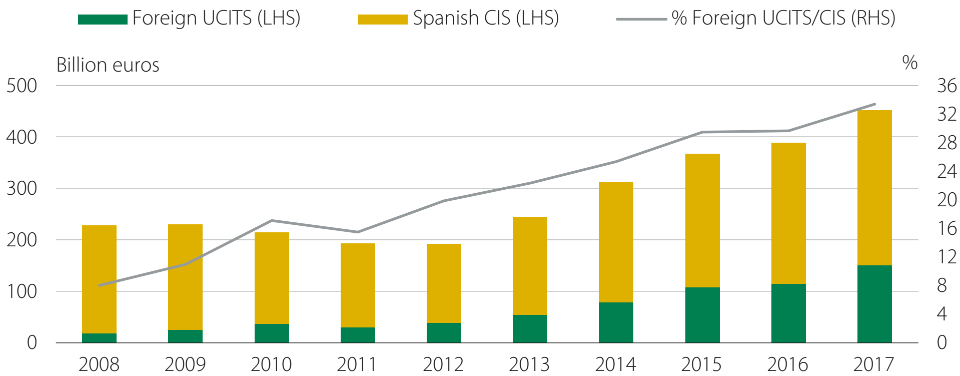
Foreign UCITS marketed in Spain

With regard to the information available on foreign UCITS marketed in Spain, it is important to note the transition process that is currently taking place as a result of entry into force of CNMV Circular 2/2017, of 25 October, amending Circular 2/2011, of 9 June, on information on foreign collective investment schemes registered with the CNMV. This new Circular increases, on the one hand, the information that foreign CIS must submit to the CNMV and, on the other hand, broadens the spectrum of entities required to submit such information in order to incorporate non-harmonised CIS. The new requirements of this Circular have made it necessary to extend the deadline for submitting information for the entities affected by the amendments. Therefore, on the closing date of this report no new data were available referring to foreign CIS marketed in Spain in comparison with the latest data to December 2017 (see Figure 20). It might be assumed that the assets of these schemes have continued to grow in 2018 in view of the expansive trend shown since 2013 in an environment that has not changed substantially and given the increase recorded by the assets of domestic CIS over this period.

A regulatory change in relation to the information that must be sent to the CNMV on foreign CIS means that information on such CIS in 2018 is not yet available, although it is likely that their growth has continued over this period.

Assets of foreign UCITS marketed in Spain

FIGURE 20



Source: CNMV.

Outlook

The fact that higher-risk categories are receiving a greater volume of resources highlights the importance that investors should be aware of the risks of these assets.

The expansion of the collective investment industry continues as a result of the low returns offered by other more traditional options (such as deposits) in an environment of growing income. The preference for high-risk mutual funds shows the desire by investors to obtain higher returns, but they should be aware of the risks of these products. In particular, they should be aware of market risk – the potential losses that may be incurred as a result of a fall in the price of the assets – and liquidity risk – related to the possibility of selling an asset in a short period of time (in this case, redemption) without incurring losses that are too high. It is also essential for them to be able to distinguish funds that offer active management, and therefore charge higher management fees, from funds whose managers basically follow certain indices and which, therefore, should charge lower costs to the unit-holder (see Exhibit 2).

The practice of closet indexing and measures to strengthen transparency about the type of management performed

EXHIBIT 2

In recent years, the European Securities and Markets Authority (ESMA) has been carrying out actions and research into the practice known as closet indexing, whereby an investment fund claims in its information documentation to be actively managed when in fact said management tracks or is very close to a benchmark. This management requires the management company to devote fewer resources to selecting the assets that make up the fund's portfolio, which should result in lower management fees being charged to investors.

A number of European countries (including Germany, France, Italy and the United Kingdom) have taken measures to improve the transparency of investor information documents following investigations into possible closet indexing practices.

The CNMV has also performed several analyses in which it has detected a low number of funds that engage in closet indexing, and it has required that their information documents be updated. It should be noted that in the case of Spain, it is a widespread practice for the Key Investor Information Document (KIID) to include the benchmark, which some associations of investors and financial service users have highlighted positively.[1] However, in line with ESMA recommendations and best practices in other countries, the CNMV has deemed it necessary to introduce the following improvements to the information provided to investors (see the communication dated 8 October 2018):

– In cases in which information on a benchmark is included, the KIID must specify whether such benchmark is used in merely informative or comparative terms (that is, without conditioning the manager's freedom) or whether, on the contrary, to a greater or lesser extent management is linked to the financial benchmark. In this latter case, additional information must be provided on the level of freedom of said management with regard to the benchmark.

– The periodic public reporting must also provide information on the degree of discretion used in the management carried out during the period, and in the event that, to a greater or lesser extent, it is linked to a benchmark, details must be provided as to the performance of the fund in comparison with that of the benchmark. It must also provide any other additional information that the manager considers it appropriate to provide, such as that relating to tracking errors,[2] total exposure of the assets held in components of the benchmark, "active share",[3] degree of coincidence in the order of the positions with respect to that benchmark, etc.

1 See the press release by Better Finance of 4 June 2018, which included the KIID practice of UCITS in Spain under the "Best-in-Class" section, highlighting the generalised disclosure of the updated benchmark in a language that is neutral and standardised, which is also accessible on the CNMV's website.
2 In investment portfolio management, tracking error is a measure of the difference in performance between a particular portfolio or fund and its benchmark. It shows the volatility of the difference in returns.
3 The active share measures the degree of difference between the fund portfolio and the benchmark portfolio.

4.2 Investment firms

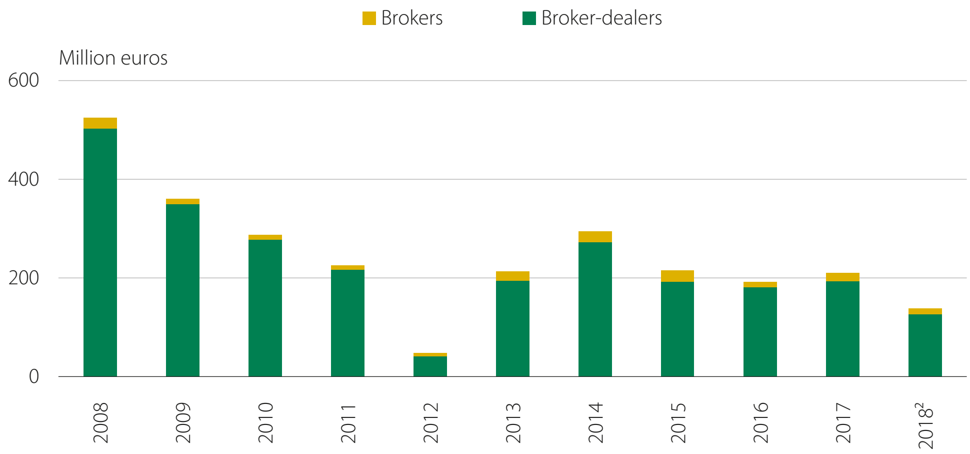
Investment firm profits shrank by 34.4% in the first half of 2018.

Following a slight recovery in 2017, the profits of investment firms once again fell in the first 6 months of 2018, by 34.4% to 138.2 million euros in annualised terms (see Figure 21). This contraction, which was basically a result of the instability in financial markets, was recorded both by brokers and by broker-dealers. At the end of June, the CNMV's register contained a total of 94 broker-dealers and brokers[23] compared with 90 at the end of 2017 as there were 6 new registrations (all by brokers) and 2 de-registrations (1 broker and 1 broker-dealer). Of the total number of entities, 48 held a Community passport to operate within the European Union under the freedom to provide services (46 at the end of 2017) and 8 did so by means of a physical presence (branch), 1 more than 6 months earlier. A total of 5 entities operated outside the European Union, 1 with a branch and 4 through the freedom to provide services.

23 Except financial advisory firms, which are discussed in a separate heading in this report due to their specific features.

Aggregate pre-tax profit of investment firms[1]

FIGURE 21



Source: CNMV.

1 Except financial advisory firms and portfolio management companies.

2 Annualised data.

Pre-tax profits of broker-dealers fell by 39.7% as result of the drop in fees received for order processing and execution and, to a lesser extent, income from financial investments.

Broker-dealers recorded a lower level of activity in the first half of 2018, which led to a 39.7% reduction in aggregate profit before tax, which stood at 63.2 million euros. Nevertheless, this figure still accounts for over 90% of total sector profits (see Table 14). The fall in profit was the result of lower fees received and, to a lesser extent, lower income from financial investments, which have fallen significantly over recent years to 213.2 million and 14.7 million euros, respectively. The fees that fell most in absolute terms were those obtained for order processing and execution, which amounted to 92.7 million euros, 22.8% down in year-on-year terms. These fees, despite still being by far the most important fees for broker-dealers, have been losing relative importance over recent years and now account for 44% of total fees (they had accounted for 70% of the total in 2010).

Other fee income also fell, with the exception of securities deposit and recording fees.

Following several years of increases, fees for marketing CIS fell significantly, shrinking by 29.8% to 28.2 million euros, while fees from portfolio management fell by 69.7% to 7.8 million euros. In contrast, securities deposit and recording fees, which had fallen over 2017 recovered part of the lost ground with growth of 11.7% to 21.9 million euros.

The fees paid by broker-dealers (-19.5%) and operating expenses (-11.2%) were the items with the largest positive impact on the income statement.

The other items making up the gross margin, which shrank by 20.7% to 226.2 million euros, mostly had a negative effect. Particularly noteworthy due to their size were the 7.1% reduction in net interest income to 46 million and the aforementioned 27.0% fall in profit from financial investments. It is also important to note the positive effect of the fall in fees paid by broker-dealers, which amounted to 61.6 million euros after dropping by 19.5% in year-on-year terms. Finally, the 11.2% reduction in operating expenses, to 159.3 million euros, and the 47.7% reduction in depreciation/amortisation, to 3.5 million euros, led to the operating profit in June 2018 standing at 63 million euros, 36.1% down on the same period of 2017.

Aggregate income statement (June 2018)

TABLE 14

Thousand euros

	Broker-dealers			Brokers		
	Jun-17	Jun-18	% change	Jun-17	Jun-18	% change
1. Net interest income	49,527	46,031	-7.1	818	1,076	31.5
2. Net fee income	199,702	151,557	-24.1	55,773	57,325	2.8
2.1. Fee income	276,224	213,150	-22.8	66,788	67,164	0.6
2.1.1. Order processing and execution	120,062	92,739	-22.8	10,759	10,369	-3.6
2.1.2. Initial placement and underwriting	10,789	2,029	-81.2	1,804	849	-52.9
2.1.3. Securities deposit and recording	19,632	21,937	11.7	355	424	19.4
2.1.4. Portfolio management	25,648	7,765	-69.7	5,797	6,803	17.4
2.1.5. Investment advisory services	1,670	2,352	40.8	4,483	4,273	-4.7
2.1.6. Stock search and placement	947	211	-77.7	0	0	–
2.1.7. Margin trading	0	0	–	0	0	–
2.1.8. Marketing CIS	40,148	28,185	-29.8	26,491	30,795	16.2
2.1.9. Other	57,328	57,933	1.1	17,099	13,650	-20.2
2.2. Fee expense	76,522	61,593	-19.5	11,015	9,839	-10.7
3. Profit from financial investments	20,153	14,705	-27.0	157	-40	–
4. Net exchange differences	4,109	1,707	-58.5	-358	-7	98.0
5. Other operating income and expense	11,660	12,202	4.6	-748	-768	-2.7
GROSS PROFIT MARGIN	**285,151**	**226,202**	**-20.7**	**55,642**	**57,586**	**3.5**
6. Operating expenses	179,369	159,251	-11.2	48,100	51,512	7.1
7. Depreciation, amortisation and other charges	6,776	3,543	-47.7	892	723	-18.9
8. Impairment losses on financial assets	377	385	2.1	-3	-29	-866.7
OPERATING PROFIT (LOSS)	**98,629**	**63,023**	**-36.1**	**6,653**	**5,380**	**-19.1**
9. Other profit (loss)	6,168	215	-96.5	-102	472	-
PROFIT (LOSS) BEFORE TAX	**104,797**	**63,238**	**-39.7**	**6,551**	**5,852**	**-10.7**
10. Corporate income tax	14,878	2,552	-82.8	909	1,044	14.9
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**89,919**	**60,686**	**-32.5**	**5,642**	**4,808**	**-14.8**
11. Profit (loss) from discontinued operations	0	0	–	0	0	–
Net profit (loss) for the year	**89,919**	**60,686**	**-32.5**	**5,642**	**4,808**	**-14.8**

Source: CNMV.

Brokers suffered a 10.7% fall in their profits, mainly as a result of the increase in operating expenses.

Brokers left behind a positive year with regard to their results and once again recorded a contraction in their activity. Their aggregate pre-tax profit fell by 10.7% in year-on-year terms to 5.9 million euros in the first half of the year. Although net fee income rose by 2.8% to 57.3 million euros, the increase in operating expenses was higher (7.1% to 51.5 million euros) and cancelled out the entire increase in revenue. With regard to fee income, there was some re-composition between the different types of fees during the first half of the year. Fees for marketing CIS, which are by far the largest fees, grew by 16.2% compared with the period between January and June 2017 to 30.7 million euros, while fees for portfolio management grew by 17.4% and thus returned to figures close to those recorded in 2014, when they started to fall sharply. In contrast, although they remain the second most important in terms of amount, fees for order processing and execution fell by 3.6% to 10.4 million euros, while fees for investment advisory services fell by 4.7% to 4.3 million euros.

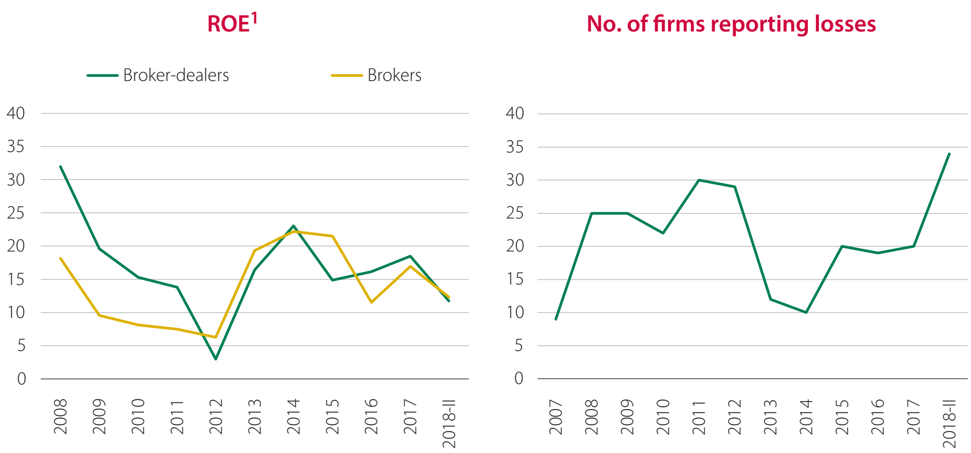
In line with the fall in profits, the return on equity of investment funds as a whole fell between December 2017 and June 2018.

The pre-tax return on equity (ROE) of investment firms as a whole, in line with the negative performance of results, fell between the end of 2017 and mid-2018, from 18.4% to 11.8%. As shown in the left-hand panel of Figure 22, the fall was very similar in both broker-dealers and brokers.

The number of loss-making firms stood at 34 at mid-year, 14 more than at the end of 2017, although with a lower total amount than in the first half of the previous year.

In line with the decline suffered by the sector, the number of loss-making firms rose during the first half of the year to 34, after closing 2017 with a figure of 20. Specifically, there were 14 loss-making broker-dealers, twice the number recorded at year-end 2017, and 20 loss-making brokers, 7 more than in December of the previous year (see right-hand panel of Figure 22). However, the total value of cumulative losses for the first two quarters fell on the same period of the previous year and stood at 22.9 million euros (26 million euros between January and June 2017).

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



Source: CNMV.

1 ROE based on profit before tax.

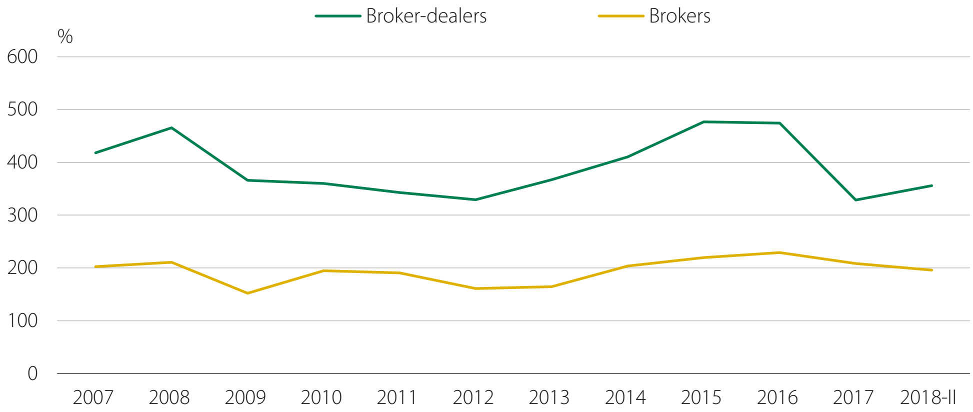
The sector's solvency conditions remained comfortable.

The sector's solvency conditions – measured as the surplus capital over the capital required – remained comfortable in relative terms in the first half of 2018. For all firms required to submit solvency statements,[24] the capital adequacy ratio rose from 3.2 in December 2017 to 3.4 in June of this year. By type of firm, broker-dealers recorded an increase from 3.3 to 3.6, while brokers recorded a slight reduction of 0.1 to 2.0 (see Figure 23).

24 Since 1 January 2014, as established in CNMV Circular 2/2014, of June 23, on the exercise of various regulatory options on solvency matters for investment firms and their consolidated groups, not all entities are required to file these statements. As a result of this Circular, 12 of the 83 investment firms were exempt from this requirement in September.

Investment firm capital adequacy
(surplus of eligible capital over minimum capital requirements)

FIGURE 23



Source: CNMV.

Outlook

Investment firms continue to perform their operations in a complicated environment due to the shift of equity trading towards foreign platforms in an environment of low volatility which further reduces trading, the increase in issues of debt assets in other jurisdictions and the competition from credit institutions in providing some services traditionally performed by investment firms. That is why many investment firms are currently immersed in changes to their business model that will modify the composition of their fee income – in an attempt to reduce the traditional high dependence on fees for order processing and execution – and at the same time increase their efficiency by reducing operating expenses.

Investment firms continue to perform their operations in a complex environment, characterised by the fragmentation of markets and competition from banks, which creates the need for them to make some changes to their business model.

Financial Literacy Survey

EXHIBIT 3

Several international studies have shown that the population in many countries is unfamiliar with basic concepts relating to inflation, compound interest rates and risk diversification. Given the growing complexity of financial products, this lack of knowledge may hinder the choice of the most appropriate savings, insurance or debt vehicles for each individual.

Against this backdrop, the Bank of Spain and the CNMV have collaborated, within the framework of the Financial Education Plan, in performing the Financial Literacy Survey, which measures the knowledge and understanding of financial concepts of the Spanish population aged between 18 and 79, as well as the possession and use of different savings, debt and insurance vehicles.

This survey, included in the National Statistics Plan, has relevant features that allow a rigorous and comprehensive description of the financial knowledge of the adult population in Spain and its relationship with the financial system. The sample is representative of the entire Spanish territory and of each of its autonomous regions and contains 21,221 individuals, and the final number of full interviews amounts to 8,952.

The Financial Literacy Survey is also part of an international project coordinated by the International Network on Financial Education – under the auspices of the Organisation for Economic Co-operation and Development (OECD) – which measured the financial knowledge, attitudes and behaviour of the population of a wide set of countries between 2015 and 2016. As a result, this study conducted in Spain between the fourth quarter of 2016 and the second quarter of 2017 makes it possible to place both the financial knowledge and the interaction of Spanish people with the financial system in an international context.

The Financial Literacy Survey includes the questions proposed in the international study, which focuses on assessing the level of knowledge on three general concepts: inflation, compound interest and risk diversification.

The Financial Literacy Survey incorporates additional questions that adapt the questionnaire to the case of Spain. Firstly, in addition to the financial skills of the selected person, the survey also collects information on the financial skills of the household. Secondly, it includes measures validated in international studies of the cognitive skills of individuals beyond strictly financial ones. Finally, the survey contains a module on the main residence in which information is obtained on the ownership decision, expectations regarding its price and, where appropriate, the manner in which the purchase was financed.

From among the conclusions obtained from the survey, it is worth noting that the financial knowledge of the adult population in Spain is generally around the average of all the countries studied. Only the percentage of correct answers in Spain on the concept of risk diversification is clearly below the average (for all countries as well as those belonging to the OECD and the European Union). In this context, another significant result is that the higher the level of education and income, the greater the financial literacy.

The level of financial literacy varies with age and the highest percentage of correct answers was obtained by individuals aged between 45 and 64. There are also differences between autonomous regions with regards to financial literacy, with Aragón scoring the highest percentage of correct answers. Part of the differences seen between autonomous regions may be associated with the different demographic composition and different level of education, which are variables that are related to the level of financial knowledge.

With regard to the possession of various financial products, 97% of the surveyed individuals have a current account. The most frequent savings vehicle is the savings account, which is held by 26% of respondents, followed by pension plans, which are held by 1 in 5 individuals aged between 18 and 79.

The possession of other financial assets is less frequent. The percentage of individuals who own shares or investment funds does not exceed 13%, while only 1% of the population in question owns a fixed-income asset. The holding of shares or investment funds is concentrated among individuals in households with income above 26,000 euros – approximately one third of the population with a higher level of income.

30% of individuals have life insurance and 21% have health insurance. The percentage with life insurance stands at 45% between the ages of 35 and 54, and this percentage increases with income and educational level. The percentage of individuals with health insurance increases sharply with education level and household income.

41% of the population have some debt (category that includes mortgages and personal loans) and the patterns of debt held are different from those of savings vehicles. The group that most frequently (63%) has some debt is that of individuals aged between 35 and 44, and this percentage decreases with older age groups. This is not the case for savings vehicles, where the holding of vehicles increases up to 64 years of age. The proportion of people in debt increases with their level of education and with their household income, and around 20% of the different income and education groups have a personal loan.

The conclusions obtained from the results of the Financial Literacy Survey make it possible to identify a series of priority groups when focusing the next strategy of the Financial Education Plan, such as people aged between 18 and 34, people over 65, people with annual income under 14,500 euros and people that have only completed primary education, among others. These conclusions also make it possible to consider that investment literacy and insurance literacy are not well consolidated in Spain and an extra effort should therefore be made to improve financial education in these areas.

4.3 CIS management companies

The assets under management by CIS management companies grew once again in the first half of 2018: by 2.6% to 307 billion…

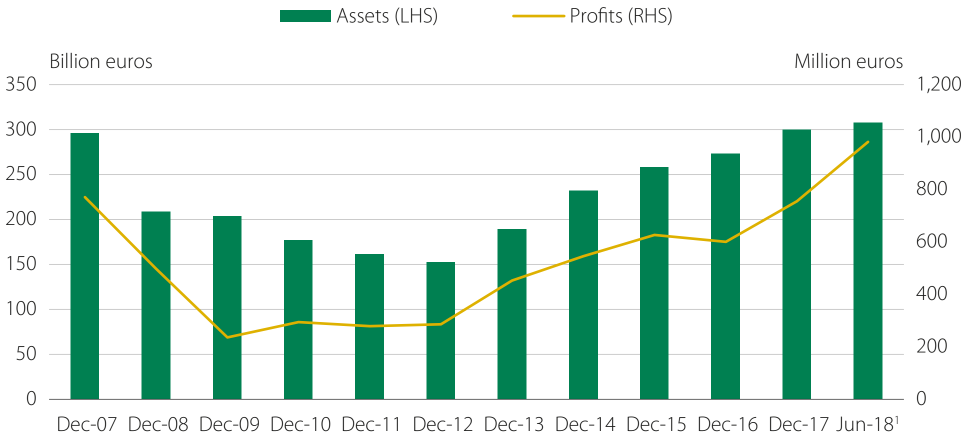
CIS management companies – following the positive trend of recent years – ended the first half of the year with a 2.6% increase in assets under management compared with year-end 2017, with a figure of over 307 billion euros (see Figure 24). All of this gain came from the mutual fund segment, which, as already mentioned, recorded an increase in assets under management of 3.2% between January and June. It is also important to mention that the high level of concentration in the sector remains: in mid-2018, the three largest management companies had a joint share of 42.1% of total assets under management, a similar figure to year-end 2017.

… which allowed a significant increase in their profits (by 36.5% to 491 million euros).

The aggregate profit before tax of CIS management companies in the first half of the year stood at 491.2 million euros, 36.5% up on the same period of 2017. Net fee income for CIS management companies – the most important item in their income statement – grew by 32.5% to 745.5 million euros thanks to the increase in fee income (6.6%) and the reduction in the fee expense (-10.6%). Of the total income under this item, the largest increase in absolute terms was recorded by CIS management fees, which amounted to 1.34 billion euros. The largest reduction in the fee expense was recorded in fees for marketing the different collective investment vehicles, which fell by 8.9% to 680 million euros. The aggregate return on equity (ROE) of CIS management companies as a whole stood at 93.7% in June 2018, an improvement on the figure recorded at year-end 2017 (73.5%). Despite the improvement in aggregate profit, it was not distributed evenly among the entities as the number of loss-making CIS management companies rose by 4 between January and June to a total of 23. In addition, the volume of losses tripled from 1.6 million euros in June 2017 to 5.1 million euros on the same date this year.

CIS management companies: assets under management and pre-tax profits

FIGURE 24



Source: CNMV.

1 Annualised data.

The boom in the industry is driving the creation of new management companies: between January and August, 8 more were registered, bringing the total to 117.

Data from the CNMV register indicate that the dramatic expansion of the collective investment industry over recent years has led to the creation of new management companies. Between January and August of this year, there were 8 new registrations of CIS management companies (all of which are independent), while there were no de-registrations. Therefore, the number of CIS management companies at 31 August stood at 117.

CIS management companies: assets under management and CIS management fees and fee ratio

TABLE 15

Million euros

	Assets under management	CIS management fee income	Average CIS management fee (%)	Fee ratio (%)[1]
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	232,232	2,004	0.85	61.80
2015	258,201	2,442	0.95	63.68
2016	272,906	2,347	0.86	61.67
2017	299,974	2,647	0.88	58.68
Jun-18[2]	307,746	2,670	0.87	55.76

Source: CNMV.

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

2 The data on fee income and average management fee are annualised.

4.4 Other intermediaries: venture capital

In the first 8 months of the year, 10 closed-end venture capital entities (new vehicles) and 19 traditional vehicles registered.

Since entry into force of Law 22/2014, of 12 November, which opened up the possibility for new vehicles in order to promote venture capital as an alternative source of financing, 58 of the new types of vehicle have been created. At the end of August of this year, there were 10 SME venture capital funds, 6 European venture capital funds, 17 SME venture capital companies and 25 closed-end collective investment entities (7 funds and 18 companies). Of all these vehicles, it is important to note a significant increase in the last category, with 10 new registrations in the first 8 months of the year and, in addition, the reduction in the number of SME venture capital funds, after 1 new registration and 3 de-registrations (see Table 16).

At the end of August, a total of 347 venture capital entities were registered with the CNMV, of which 25 were closed-end entities and 91 were management companies.

With regard to "traditional" vehicles, so far this year there have been 9 new registrations and 8 de-registrations of venture capital funds, bringing the total to 174 at the end of August; while in the case of venture capital companies, there were 10 new registrations, which brought the number of these companies to 115. As a result of these movements, the total number of venture capital entities at 31 August (excluding closed-end entities) was 322, compared with 311 at the end of 2017. As mentioned above, on the same date there was a total of 25 closed-end vehicles and 91 closed-end investment scheme management companies (a term that includes the old venture capital management companies) following 4 new registrations and 2 de-registrations between January and August.

In 2017, the assets under management of venture capital entities rose by 12.4%, mainly due to funds (19.2%).

The assets of venture capital entities rose by 12.4% over 2017 to 8.93 billion euros. This growth was due, above all, to funds, whose assets rose by 19.2% to 5.76 billion euros. Despite the high number of new registrations of companies, assets under management only rose by 1.8% to 3.17 billion euros.

Movements in the venture capital entity register in 2018 TABLE 16

	Situation at 31/12/2017	New registrations	De-registrations	Situation at 30/08/2018
Companies				
Venture capital funds	173	9	8	174
SME venture capital funds	12	1	3	10
European venture capital funds	5	1	0	6
Venture capital companies	105	10	0	115
SME Venture capital companies	16	1	0	17
Total venture capital entities	**311**	**22**	**11**	**322**
Closed-end collective investment funds	2	5	0	7
Closed-end collective investment companies	13	5	0	18
Total closed-end collective investment undertakings	**15**	**10**	**0**	**25**
Management companies of closed-end collective investment undertakings[1]	**89**	**4**	**2**	**91**

Source: CNMV.

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

The investment by public authorities and non-financial companies in venture capital entities grew.

In venture capital funds (which include "traditional" funds and new funds, in this case SME and European funds), a slight re-composition of the relative importance of their investors was recorded over 2017. The largest growth in absolute terms was recorded in investment by public authorities, with almost 200 million euros more, up to 860 million. Investment by non-financial companies also grew strongly (by 123 million) and amounted to 583 million euros at the end of the previous year. It is also important to note the significant increase for the second consecutive year of the investment by CIS, which was very low in 2015 (65 million euros) but rose to 433 million euros by the end of 2017 (see Table 17). In contrast, the largest reduction in investment was recorded by pension funds and banks, with 36 million and 27 million less than at year-end 2016, respectively.

In venture capital companies, non-financial companies and other financial companies continue to be the two most important types of investor.

In venture capital companies (which, as in the case of funds, includes SME venture capital companies), non-financial companies and other financial companies remain the two most important types of investors and they increased their investment slightly, by 4.8% and 4.4% to 902 million and 1.02 billion euros, respectively. As has been the case since 2013, when their investment exceeded 1.6 billion euros, banks substantially reduced their investments in this type of entity in 2017, specifically by 19.0% to 171 million euros. With regard to the type of venture capital investor, the presence of natural persons rose in both types of entity by more than 1 percentage point and stood at 9.4% in the case of funds and 4.6% of the case of companies.

Venture capital entities: assets by type of investor TABLE 17

Million euros

	Funds		Companies	
	2016	**2017**	**2016[1]**	**2017**
Natural persons				
Residents	390.6	521.5	92.1	141.2
Non-residents	13.2	20.7	4.6	4.8
Legal persons				
Banks	207.9	180.9	211.7	171.4
Savings banks	42.1	38.5	12.8	11.9
Pension funds	594.8	551.7	21.0	20.7
Insurance companies	264.5	449.7	51.3	84.4
Broker-dealers and brokers	2.0	3.5	0.3	0.1
Collective investment schemes	358.2	432.7	6.4	6.9
Spanish venture capital entities	196.6	255.6	112.8	28.9
Foreign venture capital entities	242.3	301.3	0.0	0.0
General government	663.1	860.2	409.7	389.1
Sovereign funds	4.6	7.1	0.0	4.8
Other financial companies	378.2	343.2	979.3	1,022.7
Non-financial companies	459.6	582.7	860.0	901.5
Foreign firms	879.8	907.6	92.9	94.2
Other	137.8	307.0	258.7	287.8
TOTAL	**4,835.3**	**5,763.8**	**3,113.5**	**3,170.5**

Source: CNMV.

1 Revised data with updated information submitted by the entities subsequent to the previous publication.

Preliminary data for the first half of 2018 provided by the Spanish association of capital, growth and investment entities (ASCRI) confirm the expansive trend of the sector that began in mid-2016, after a year marked by political uncertainty in Spain and a lack of megadeals. The total invested volume stood at 3.06 billion euros, very similar to the figure recorded in the first half of 2017, with a total of 334 deals (400 between January and June 2017). Middle market deals (between 10 and 100 million euros) recorded the most growth and stood at a historic high, with 961 million euros in 32 investments. For their part, the number of megadeals (deals greater than 100 million euros) stood at 4 (7 in the same period of the previous year) and accounted for 60% of the total volume, with all of the deals corresponding to international funds. Small-scale deals (up to 5 million euros) continued to account for a high proportion of the total number of deals, specifically 85%.

Preliminary data for the first half of the year provided by ASCRI indicate that the sector maintains its buoyancy, although it is more geared towards middle market deals.

From the point of view of the investment stage, the bulk of the deals were in venture capital (seed and start-up), with a total of 243, of which 155 were carried out by Spanish private operators. The most important in terms of volume were investments in buyouts, with 75% of the total invested amount. Fundraising by Spanish private operators, which had grown sharply in the previous year, contracted by 35% in the first six months of 2018 and stood at 784 million euros.

From the point of view of the investment stage, seed and start-up investments accounted for the bulk of the deals.

II Reports and analysis

The presence of Spanish non-financial companies in capital markets

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1 Introduction

The business financing model in Spain has been analysed and debated in depth for many years. The banking sector has traditionally provided the bulk of financing to companies, a pattern that is also noted in other European economies, albeit to a lesser extent. The predominance of small businesses in the Spanish economy is often put forward as the reason for the importance of borrowing compared with other alternative sources of financing, such as capital markets.

This article attempts to illustrate the important role played by financial markets, not only in completing and diversifying the sources of financing of entities, but also in the stabilising nature that they demonstrated throughout the years of the crisis, when there was a severe shortage of bank lending.[1] Although traditional financial markets remain a viable option, essentially for large entities, numerous initiatives have arisen over recent years that aim to facilitate the entry into the markets of small- and medium-sized enterprises. These initiatives include the creation of two alternative markets (MAB and MARF), which are less demanding in the requirements needed to participate and which offer advantages relating to reputation, asset liquidity and the company being evaluated more positively. Other important initiatives are related to the venture capital sector and crowdfunding platforms. Looking ahead, it will be necessary to consolidate these new alternatives and to continue working on measures aimed at promoting the participation of small companies in financial markets, without neglecting the objective of investor protection, which is fundamental for securities supervisors.

2 Financing of the Spanish economy

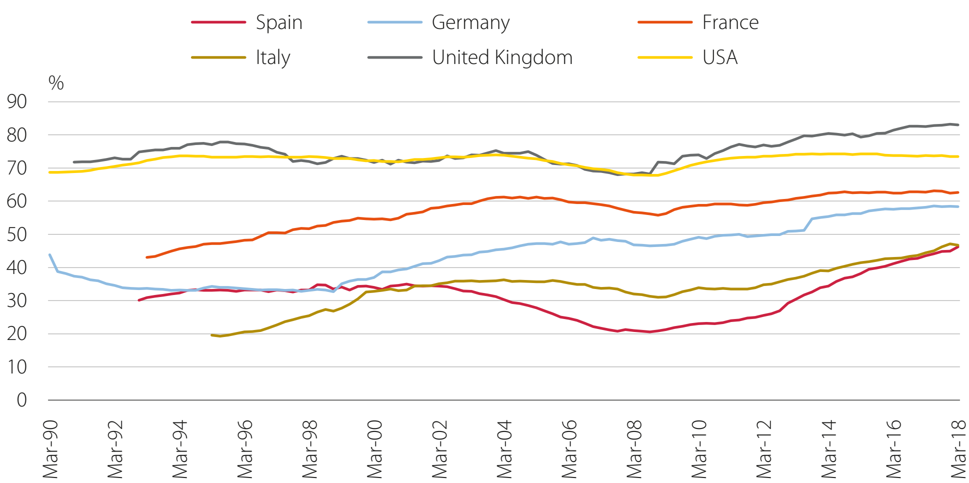
The Spanish economy has historically been characterised by the high level of use of banking services in providing financing to the private sector. This predominance of banks to the detriment of other sources of financing is a characteristic that it shares with other European economies and which contrasts with the pattern seen in the United States and the United Kingdom, where capital markets are a much more significant source of funding. It can be seen that in these two economies, financing

1 The CNMV constantly monitors and analyses the characteristics of corporate financing and, in particular, the conditions of access to capital markets. Some of the papers published in previous years on this matter include: Arce, Ó., López, E. and Sanjuán, L. (2011). *Access of SMEs with growth potential to the capital markets*. CNMV, Working Paper No. 52. Available at http://www.cnmv.es/DocPortal/Publicaciones/MONOGRAFIAS/N52_ENen.pdf; and Chapter 2 of the CNMV's 2010 *Annual report* ("Business funding in Spain: future trends and challenges"), available at http://www.cnmv.es/DocPortal/Publicaciones/Informes/AnnualReport2010_weben.pdf.

through markets is fairly stable over time at between 70% and 80% of total financing including bank loans. In the euro area, in contrast, this proportion is much lower, particularly in some peripheral economies, such as Spain and Italy (see Figure 1).

In the case of Spain, the relative importance of financial markets reached a low in the years prior to the international financial crisis (in 2008), standing at close to 20% of total financing (which includes capital markets and bank lending). In those years, the annual financing needs of Spanish companies rose from 15% of GDP to 35% and were mainly covered by bank lending, as a result of several factors. On the one hand, the growth of domestic activity was based on the greater buoyancy of activities traditionally linked to lending (real estate and construction). On the other hand, the sharp fall in interest rates associated with Spain joining the euro area and the high level of competition among credit institutions in order to acquire customers led to an historic increase in the supply of credit. All these elements led to the relative importance of capital markets falling from 40% to the aforementioned 20% and showing a cyclical profile similar, albeit more pronounced, to that of other European economies. Since the onset of the crisis, the resetting of some imbalances generated over several years (for example, the fall in leverage of many economic agents) and the restructuring process of the Spanish banking system led to a period of a sharp contraction in bank lending which has not yet ended and which has been compatible with the increase in other financing mechanisms.

The relative weight of market financing compared with bank lending FIGURE 1



Source: CNMV.

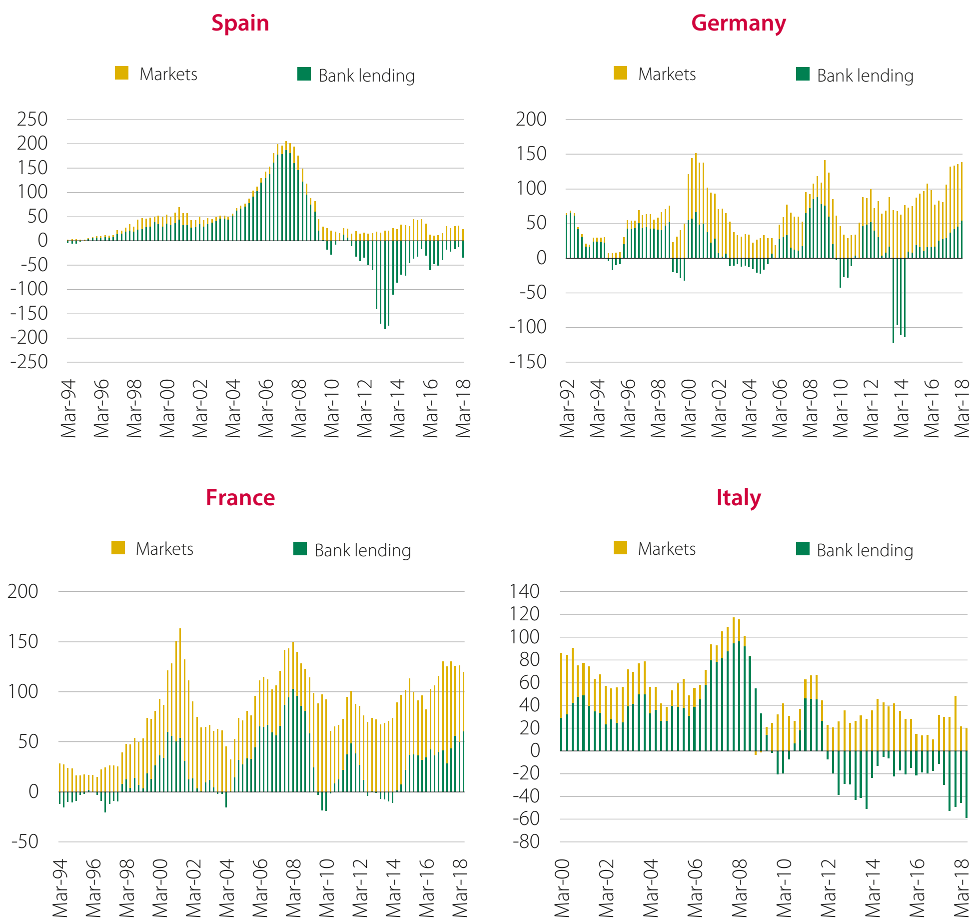
In recent years there has been a much more balanced composition within the Spanish financial system, where the banking sector – which remains the most important sector in terms of size – has lost relative importance, while other segments, such as capital markets, collective investment schemes, insurance and pension funds, have become more important. In particular, banking sector assets have fallen from highs of close to 330% of GDP in 2012 to a little under 230%, while the outstanding balance of public and private debt and share capitalisation has increased progressively to stabilise above the threshold of 200% of GDP. The figures for the collective investment sector are more modest, but they also show significant gains over the last few years, so that, after the major adjustments in the first few years of the crisis, it may be stated that this industry has recovered its pre-crisis levels both in terms of assets and in terms of unit-holders.

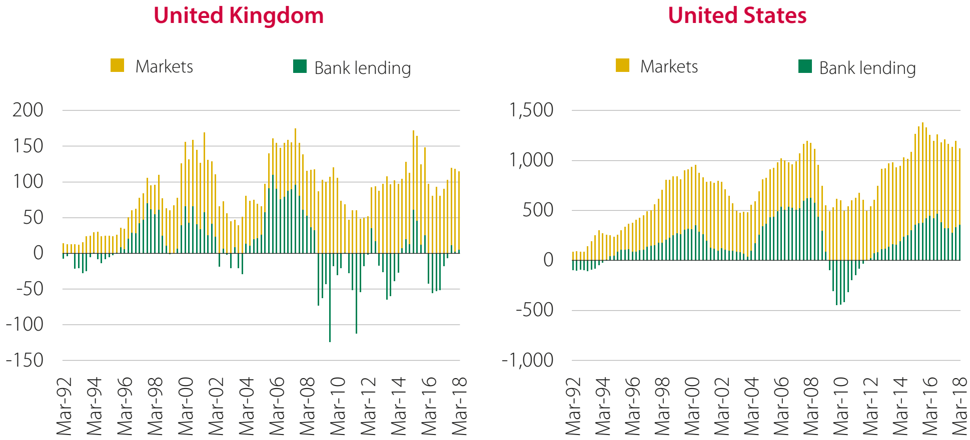
3 Business financing in recent years: the role of financial markets

During the years of the crisis, when several peer economies suffered contractions in lending of varying intensity, the agents that provided financing through capital markets maintained their capacity to finance even at the worst times, thus demonstrating their stabilising and anti-cyclical role as one of their major strengths. As shown in the panels of Figure 2, this was the case in Spain and Italy, which suffered a considerable fall in outstanding credit volumes, but also in other advanced economies which are less dependent on lending and with more stable lending behaviour. In all cases, financing obtained by non-financial companies through capital markets – whether by issuing shares or issuing debt – played a very important buffer role in financing flows, particularly in the years in which there was a shortage of other alternatives.

Net changes in market financing and bank lending of non-financial companies FIGURE 2

(Billion euros except in USA [billion dollars])





Source: CNMV.

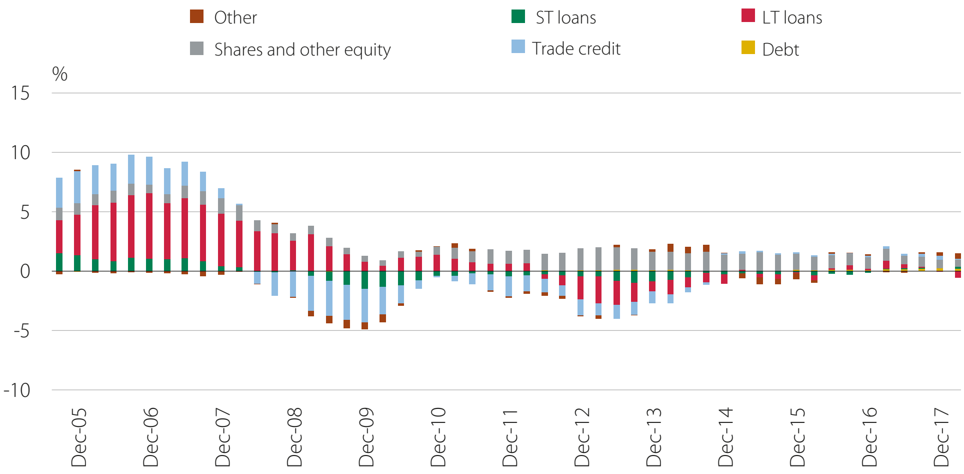
In the particular case of Spanish non-financial companies, it can be seen that over the last ten years, during which two financial crises leading to two recessions in the wider economy were strung together, financing flows have undergone substantial changes. In the early years of the crisis, the first source of financing to be significantly eroded was trade credit or intercompany lending. This source of financing, which at one point accounted for over 20% of entities' total liabilities, now only stands at 10% and its flows have not recovered even though the economy has now recorded several years of strong growth. As shown in Figure 3, short-term loans, and later long-term loans, also suffered in the early stages of the crisis, and there is now considered to be a selective recovery in lending in order to finance projects that offer more guarantees. Bank loans, which accounted for 43% of company liabilities in 2010, now account for 29%.

Only the item of shares and other equity – which also includes companies' retained earnings – has demonstrated great strength and stability over the years of the crisis and is practically the only source of recurring financing for companies. This performance, which has meant that its share of total liabilities has increased from 40% to 58%, once again demonstrates the anticyclical or stabilising nature of capital markets as a source of financing for the business sector if not a replacement for bank lending.

As discussed below, the possibilities offered by financing via markets are complementary to those offered by bank lending, so that a correct financing framework should rely on both alternatives and be based on appropriate diversification of fund providers.

In addition, the financing of companies via markets through securities admitted to trading is, from a general interest perspective, beneficial for several reasons: i) levels of transparency increase, ii) the possibilities of company financing improve, iii) companies indicate that they have achieved professional management of their business (high level of organisation and control), iv) they also obtain a certain prestige and brand image and v) it is a key aspect in the succession of family companies. In short, it is a natural step in the life cycle of a company.

Composition of the liabilities of non-financial companies (flows)[1] FIGURE 3



Source: *Financial accounts of the Spanish economy* (Bank of Spain) and CNMV.

1 Cumulative flows in twelve months between the balance of total liabilities at the beginning of the period.

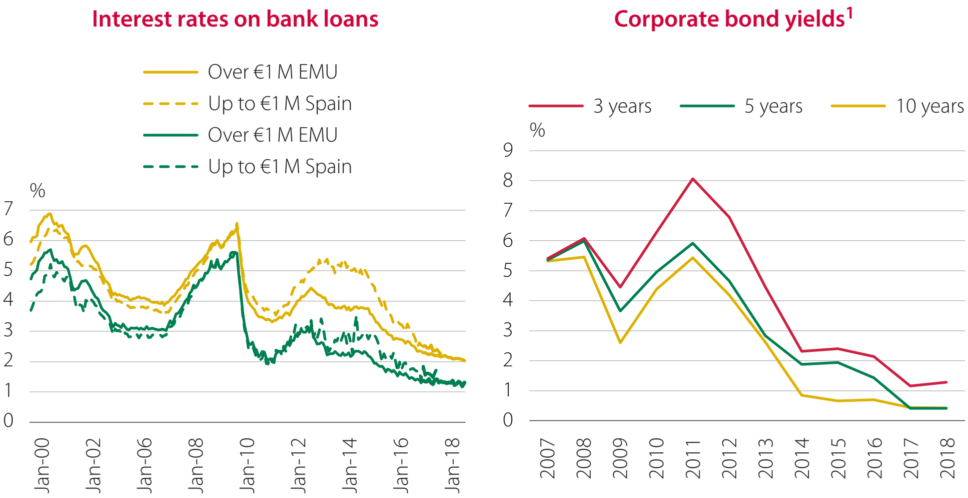
4 The financing of companies via markets: Is it only a matter of size?

Despite the important role played by the financial markets in the provision of funds to entities, the fact is that this type of financing remains a feasible option particularly for large companies, due to the costs associated with equity and bond issues. In advanced societies, the business sector is usually characterised by a large number of small companies that make a significant contribution to the added value of the economy and account for a considerable share of employment. For example, in the European Union, SMEs account for 99.8% of the total number of companies, generate 57.5% of production and account for 67% of employment. In Spain, these figures are even higher and have not changed significantly over time: SMEs generate 63% of the added value of the economy and 74% of total employment. Our economy is therefore characterised by a greater predominance of small companies, which normally obtain their financing in a different manner to large companies. SMEs generally have a proportion of own funds similar to that of large companies, but the use of external financing is very different as bank loans are their main source for obtaining funds.

In this context, an increase in the size of Spanish companies would favour the conditions of their access to capital markets. However, this process is not straightforward for two fundamental reasons. The first lies in the existence of certain regulatory thresholds which make size increases costly for companies. These thresholds, according to some studies, are related to the number of employees (10, 50 and 250) and turnover (2, 6 and 10 million euros), and the fact that exceeding these thresholds entails explicit costs (essentially for tax reasons), which discourage business growth. The second reason lies in the business model of the Spanish economy compared with structures that might exist in other economies with larger companies. It is possible that in Spain the predominance of activities relating to services also explains the smaller size of our companies as the bulk of these are provided by companies which, due to the nature of their business, are smaller. By way of example, it is enough to mention that the contribution to total added value by companies engaged in retail, transport and hotel and catering has remained stable over the last 20 years at values of close to 25%.

With regard to the question of company size, it is worth asking whether there is any idiosyncratic factor that characterises the owners of small Spanish businesses and whether it is necessary for any of the most important activities of our economy to be performed by small companies. Although entrepreneurship is an activity that offers many positive elements for the development of an economy, there is also evidence of some of the limitations it imposes on the growth of operations resulting from, for example, the lack of scale to drive exports. In this regard, some considerations can be made about the possible difficulties of association faced by entrepreneurs, which, if overcome, would make business size somewhat larger, would allow them to perform their operations more efficiently and, ultimately, to improve the opportunities for accessing capital markets.

Indicators of the cost of financing via lending and via markets FIGURE 4



Source: Thomson Reuters and CNMV.

1 The data for 2018 correspond to the month of June.

In addition to company size, we must ask ourselves whether the financing needs of companies are similar at present to those of the years prior to the crisis. The answer to this question is that they are not: there is still a large proportion of companies immersed in deleveraging processes of some size and only some of them have significant financing needs. The trend is for the bulk of these financing needs to be covered through bank lending, as banks are showing a greater willingness to grant credit, albeit selectively. In fact, the latest surveys of SMEs show how companies indicate that obtaining financing is not their most important problem at present, but rather they cite other problems such as the need to find customers or the availability of qualified employees. The conditions for accessing financing in capital markets are also extremely favourable. In the case of debt, the interest rates that must be paid by companies that issue these instruments are at historic lows, favoured by the different measures adopted by the ECB.

5 How can the presence of Spanish companies in capital markets be encouraged?

Bearing in mind all the factors mentioned above – that Spanish companies are smaller than those in the rest of Europe, that they have been financed through retaining profits and ultimately through bank lending, and that the conditions for accessing capital markets have improved notably, but this option remains feasible only for large companies – it is worth asking what measures might be taken to favour the presence of Spanish companies in capital markets. This section reviews the most recent developments in traditional equity and fixed-income primary markets and describes the trends, platforms or mechanisms that have been developed over recent years to allow smaller companies to obtain financing through markets. These include the creation of two alternative markets: venture capital entities and crowdfunding platforms.

The panels in Figure 5 represent the volumes issued in the traditional Spanish fixed-income and equity markets in recent years, as well as the average size of issues. In the fixed-income market, there has been a fall in the amount of the debt issues registered with the CNMV, which can be explained by several factors. These include the restructuring process of the Spanish financial system that began in 2012, the lower needs of some agents in the context of high leverage, the ECB's different asset purchase programmes – which have had an impact on the composition of the assets issued – and, lastly, the greater tendency of companies to issue debt abroad. This last trend is also seen in other important European economies, where the proportion of corporate debt issued in markets other than the home market (mainly, Luxembourg and Ireland) stands at well over 50%.[2] In Spain, this proportion has increased from 45% in 2010 to 73% in 2018,[3] in line with the figures recorded in Germany. There are various reasons given by companies for issuing in these foreign markets, which range from the reduction of some of the issue costs (not necessarily financial) to strategic reasons relating to the target investor of the issue. It is important to note the reduction in the average size of debt issues – below 400 million euros – which, however, still remain sufficiently high so as to only be within the reach of the largest corporations.

For their part, share issues have proven to be relatively strong over recent years – similar to in other European economies – which is partly the result of higher capital requirements established in the wake of the global financial crisis. The average amount of issues has evolved much more steadily in recent years and has remained at levels of close to 300 million euros.

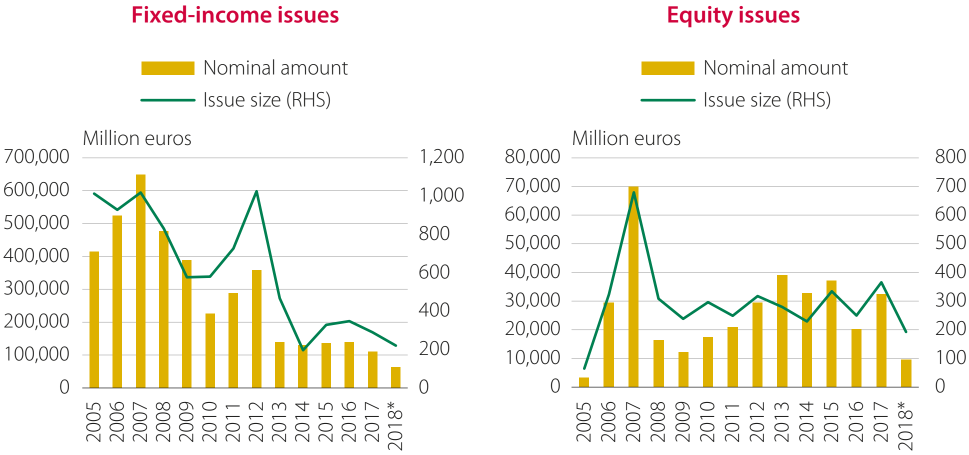
In this area of analysis, it is once again necessary to insist on the relevance of the size of the companies that make fixed-income or equity issues in capital markets. This size is decisive in order for these issues to have sufficient supply to meet potential demand and, therefore, create a true secondary market for the assets. In other words, the financing of companies through markets is not a viable alternative for those companies that do not exceed a certain size threshold given that the existence

2 According to a CNMV analysis of Dealogic's data on long-term fixed-income issues.

3 With figures to 21 August.

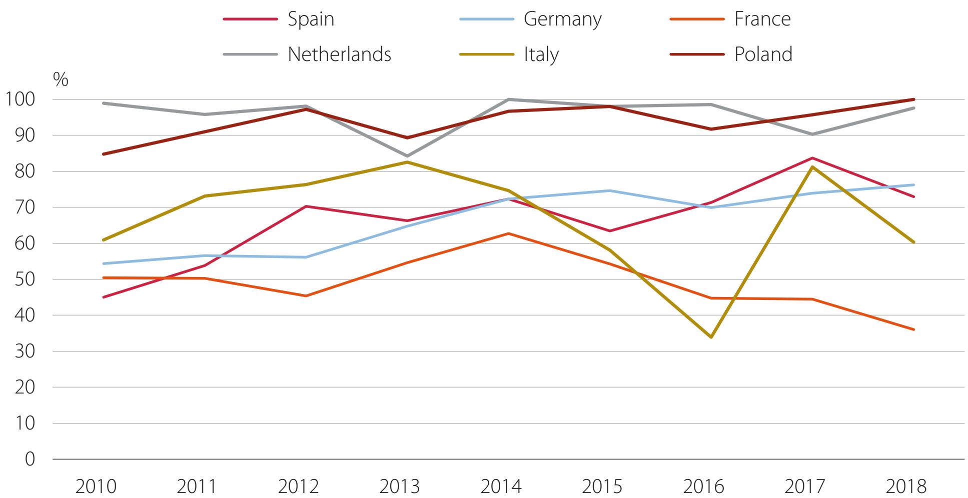
of a market for the securities issued cannot be guaranteed. It is therefore worth asking whether it would be desirable to explore incentives for business concentration or association that might break the traditional atomisation of a large part of the Spanish business environment.

Fixed-income and equity issues registered with the CNMV FIGURE 5



Source: CNMV.

Issues of long-term corporate debt abroad FIGURE 6



Source: Dealogic and CNMV.

As discussed above, in addition to traditional capital markets, a number of initiatives have been developed in Spain in recent years in order to promote the participation of smaller companies in securities markets. These include the creation of two alternative markets, one for shares (MAB, or Alternative Stock Market) and another for fixed income (MARF, Alternative Fixed-Income Market), whose philosophy is essentially the same. These markets were devised to facilitate simple and efficient access by smaller companies to securities markets by means of a simplification of the requirements for participation. These markets are MTFs (multilateral trading facilities), but they are usually managed by governing companies of official regulated markets (in the case of Spain, by BME). In addition to obtaining the financing that they need, companies that access these markets receive other benefits, such as an improvement in their reputation, an increase in their visibility, the positive evaluation of the company and the liquidity of the securities that they issue.

The MAB, which was launched in 2006, is a particularly attractive option for growth companies and for SOCIMI (Spanish real estate investment trusts), although other types of companies may be listed on it.[4] At the end of 2017, 41 growth companies and 46 SOCIMI were listed on the MAB. The number of SOCIMI has increased significantly compared with the figure of 28 in 2016. The capitalisation of both types of entity rose from 5.47 billion euros in 2016 to 9.65 billion euros in 2017 and their trading volume rose from 262.8 million to 363.8 million. Alternative stock markets have existed in other countries for several years (the AIM in the United Kingdom since 1995) and have worked relatively well. The most important challenge posed by this type of market from the point of view of securities supervisors is to achieve a satisfactory balance between the reduction in requirements for companies to access the market and an adequate level of investor protection.

The MARF, which was created more recently (2013) has the distinctive feature that it is reserved exclusively for "qualified" investors as these are considered to be in a better position to understand the nature of these assets and to take the most appropriate investment decisions. The nominal amount issued in 2017 stood at 3.97 billion euros, an increase of 80.1% on 2016. Most of this amount corresponded to commercial paper (92%) issued by 23 companies, including large companies, such as El Corte Inglés, Vocento, Sacyr, Gestamp, Fluidra and Tubos Reunidos, in 303 operations. In contrast, the volume of bond issues – made by Tecnocom, Masmóvil, Pikolin, etc. – fell by 24.6% to 318.3 million euros, in a context in which the conditions for obtaining traditional bank financing are improving. This amount accounted for 8% of the total and was issued by 10 companies in 16 operations.

The venture capital sector is another interesting alternative that allows financial investment in companies that are not normally listed. The most common investment is in the form of capital and the target companies are usually at an early stage or growth stage and there are also leveraged buyouts. Venture capital companies may find the opportunity to make their investment liquid and obtain their return in capital markets. However, the possibility of some institutional investors, such as pension funds, investing in this sector is limited by the regulatory provision of maximum fees which include those generated in cascade.

This sector is less developed in Europe than in the United States, but significant growth has been recorded in recent years. In Spain, in addition to traditional venture capital funds and companies, Law 22/2014[5] introduced SME venture capital vehicles to promote venture capital as an alternative financing mechanism for SMEs. According to the Spanish association of capital, growth and investment entities

4 The market is formally open to growth companies, SOCIMI, SICAV (open-ended investments schemes) and hedge funds.

5 Law 22/2014, of 12 November, regulating venture capital vehicles, other closed-end collective investment undertakings and the management companies of closed-end collective investment undertakings, and amending Law 35/2003, of 4 November, on Collective Investment Schemes.

(ASCRI), private equity and venture capital investment in Spain amounted to around 5 billion euros in 2017, an increase of 27% on 2016. A total of 11 deals of over 100 million euros were performed, with an aggregate volume of 3 billion euros, and a total of 679 investments were made, compared with 584 in the previous year. International operators accounted for 75% of total investment, with a very significant presence in large-scale deals, while private and public Spanish investors generally participated in a higher number of smaller-scale deals.

Finally, it is important to mention the crowdfunding platforms created under the Law on Promoting Business Financing in 2015. These platforms place in contact, in a professional manner through the Internet or other electronic means, a set of investors who offer financing in exchange for a monetary return with those natural or legal persons who require it. Projects may be financed through loans or securities. These platforms, whose authorisation and registration are the responsibility of the CNMV, are subject to certain requirements and also have some limitations. Investors on these platforms can be accredited – they are not subject to investment limits – or non-accredited – they must abide by various restrictions (project restrictions, time restrictions...). By the end of 2017, the CNMV had authorised 27 crowdfunding platforms[6] (12 equity-based, 10 loan-based and 4 mixed)

6 Conclusions

The Spanish economy has historically been characterised by the high level of use of banking services in providing financing to companies. The predominance of financing through banks to the detriment of financing through capital markets is also noted in other European economies, although to a lesser extent, in contrast with the financing structure of other economies, such as the United States and the United Kingdom, where financial markets are much more important. In the case of Spain, the proportion of SMEs is very high, which partly explains this financing pattern, as they are more likely to use bank loans. This fact that the average size of Spanish companies is small may be related both to the existence of certain regulatory thresholds that make it costly to gain size and to the typical business model of the Spanish economy, in which the provision of services by small companies accounts for a significant proportion of the total added value of the economy and its contribution has remained stable over time. In this regard, it is worth asking whether it is necessary for some important activities for the Spanish economy to be principally provided by such small companies and whether there are difficulties for such companies to enter into associations which, if they were overcome, might allow the businesses to develop more efficiently and, ultimately, allow them to access financing through the markets.

In this context, it is important to mention that financial markets represent an alternative that allows companies to appropriately diversify their sources of financing. Moreover, during the crisis, the provision of funds via capital markets demonstrated a clear anti-cyclical nature at times of severe contraction of bank lending, and they thus became the most stable source of financing when the alternatives were

6 http://www.cnmv.es/Portal/Consultas/Plataforma/Financiacion-Participativa-Listado.aspx

scarce. In recent years, following its restructuring, the Spanish banking sector has started to selectively revive lending and SMEs no longer point to the lack of financing as their most important problem in the short term. For the time being, traditional markets remain a valid option mainly for larger companies due to the costs involved. However, other sources have appeared over recent years that allow smaller entities to access markets and obtain some of the advantages offered by this type of financing, such as an improvement in their reputation, visibility, liquidity of their assets, long-term financing, etc. The most important initiatives in this area include the two new alternative stock and fixed-income markets (MAB and MARF), the venture capital sector and crowdfunding platforms.

Aside from tax measures such as those adopted in some European countries, the work to promote the financing of companies in capital markets must continue on all fronts. In addition to allowing these recent initiatives to consolidate their business model in the coming years, it is worth asking whether additional measures might be taken to raise the participation of small and medium-sized enterprises in markets. These measures might include, on the one hand, those that affect the companies that demand financing and, on the other, those that seek to increase the investor base. The first type of measure includes general ones aimed at reducing the barriers that exist for gaining size and other more specific measures that continue along the line of reducing market participation costs. The second type of measure also includes, as mentioned before in relation to venture capital, those aimed at modifying the limits to the investment portfolio of some institutional investors (pension funds), which, for regulatory reasons, cannot invest in certain financial instruments.

Finally, it is necessary to address a cultural change of a more structural nature in which both those demanding and those supplying financing are aware of the multiple alternatives that currently exist and consider them naturally in their investment and financing decisions.

Analysis of the savings and investment decisions of Spanish households

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1 Executive summary

This article presents an analysis of the savings and investment decisions of Spanish households since 1999 and makes a comparison with other neighbouring countries. In general, the savings level of the private sector of an economy and the borrowing and (financial and non-financial) investment decisions taken in it can have very important implications for the productive economy model that a country eventually establishes and also on the level of development of its financial markets. The main evidence resulting from the analysis regarding these decisions in the case of Spanish households is as follows:

– The savings rate of Spanish households has been systematically lower than the average for the euro area and most of the European countries analysed. This trend has continued even at times of rises in precautionary savings following the financial crisis of 2008. Data for the first quarter of 2018 indicate that savings stood at 5.1% of gross disposable income (GDI), compared with 12.3% in the euro area.

– Up to the start of the global financial crisis, Spanish households borrowed significantly at rates well above the euro area average. In the following years, there has been an intense deleveraging process that has left the Spanish household debt rate very close to the average of the euro area (100% of GDI versus 94% in the euro area).

– Spanish households have (on average) more wealth than euro area households, although this is exclusively due to the real estate component. Nevertheless, the net financial wealth of households was 25-30% of GDP lower than that of the euro area practically throughout the period under consideration. It may therefore be concluded that the resources obtained from the heavy borrowing of households were mainly used to acquire real estate assets.

– The composition of the financial asset portfolio of Spanish households shows some interesting differences with regard to that of euro area households, such as the somewhat higher relative importance of bank deposits and of shares and investment funds and a lower proportion of insurance and pension funds. The most significant difference can be found at the levels of investment in financial assets (which is lower in Spain), more than in the composition of said portfolio.

– The factors that may have contributed towards the decline in the savings of Spanish households and their preference for real estate assets over financial assets include the difficulties relating to disposable income and its distribution; the change involved in joining the euro area, with the establishment of historically low interest rates; the existence of a tax system that favoured house buying; a rental market that offered similar prices to the payments resulting from financing house buying and cultural factors.

– This model of household savings-debt-investment can lead to an economy with a greater weight in sectors related to construction and real estate activities and higher short-term growth due to the buoyancy of consumption. However, the model is also related to financial markets with room for further development, which might, in the medium and long-term, be negative for productivity and the development of economic activity.

– It is likely that this model will be modified in the medium term by the disappearance of some important factors that existed in the past and by the benefits gradually provided by financial education of the population. However, in the very short term, the financial vulnerability of many households together with limited financial literacy will continue to hinder significant change.

2 Spanish household savings and debt

The saving rate[1] of Spanish households has been lower and more variable than that of the euro area throughout the analysed period (since 1999). On average, this rate has stood at 9.1% of gross disposable income, ranging between 5.1% and 13%, while the average saving rate in the euro area has been 13% of disposable income, moving within a much narrower range, between 11.8% and 14.6% (see Figure 1).

In Spain, the household saving rate fell to lows of under 6% of gross disposable income just before the onset of the global financial crisis, in the context of strong growth in the economy marked by the buoyancy of consumption and borrowing by economic agents. After the start of the crisis, the rate rose to a maximum of 13% as a result of precautionary saving and households prioritised mortgage payments. Consumption was directed more towards non-durable goods, while many consumption decisions relating to durable goods were postponed.

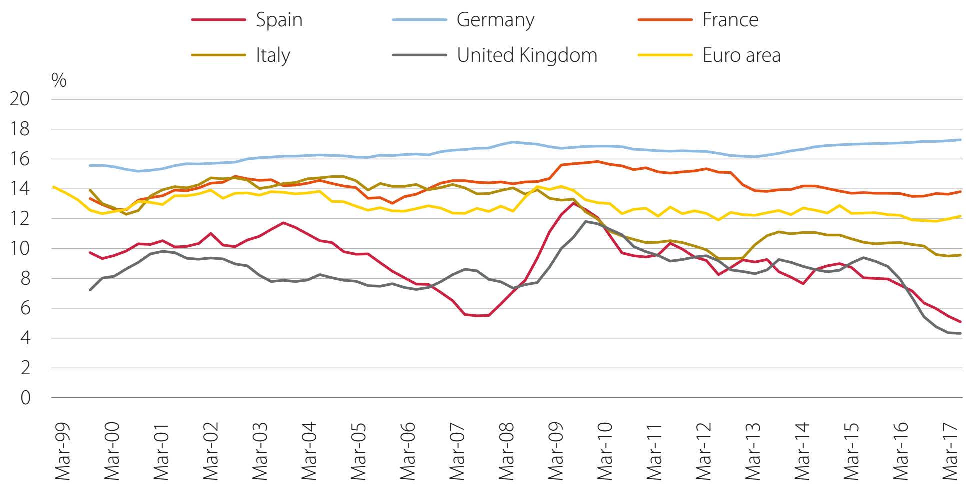
Household savings subsequently resumed a downward trend in a context characterised by a new stage of economic expansion, of growth in aggregate income and interest rates at historic lows, which has led households to reduce their levels of uncertainty and recover growth in spending. The fall in household savings over recent years is not only linked to the increase in their consumption, but also to the low growth in disposable income and, therefore, the saving capacity of a large part of the population, as shown in the sections below. In households with very low income

1 The saving rate is defined as the difference between households' gross disposable income and the amount of effective final consumption.

levels, the existence of certain rigidities in the consumption function, such as the existence of habits or minimum consumption thresholds for certain goods, means that consumption expenditure cannot be adjusted in response to falling incomes, which therefore limits the capacity to save.

The latest data put the saving rate of Spanish households at 5.1% of their disposable income, compared with 12.3% in the euro area, 17.3% in Germany and 13.7% in France. Among the countries considered in this study, only British households save less than Spanish households.

Household saving rate: % of gross disposable income FIGURE 1

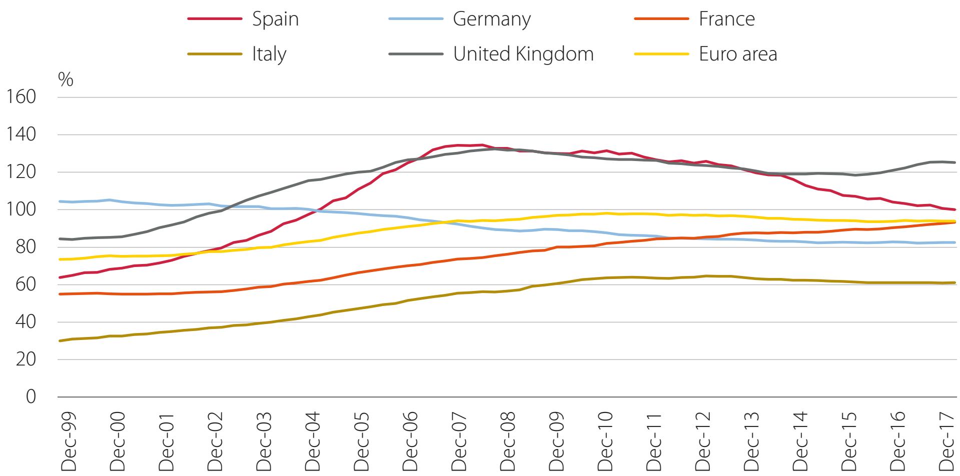


Source: Thomson Datastream.

Household debt has also followed different patterns compared with the values recorded in the euro area. This debt grew much more intensely in Spain, from just over 60% of household disposable income in 1999 to highs of around 135% in the middle of 2008, against a backdrop of economic expansion characterised by an increase in household income and very favourable conditions for accessing credit. Both factors, which are analysed in more detail below, favour an increase in household debt mainly to acquire real estate assets. Over the same period of time, the debt of euro area households rose from 73% of disposable income to slightly below 100% (see Figure 2).

The start of the global financial crisis revealed a number of financial imbalances accumulated by various economic agents, including the private sector's high leverage ratio, which were readjusted in an environment of economic recession and a sharp increase in unemployment. The deleveraging process of Spanish households was practically constant from the end of 2008 to the last quarter considered in this analysis, which has led to a decrease in the aggregate debt rate of over 30 percentage points (pp) of their gross disposable income. These debt levels, which are slightly higher than in the euro area, are significantly lower than the 2008 peaks but remain historically high.

Household debt: % of gross disposable income FIGURE 2



Source: Thomson Datastream.

3 Investments in financial and non-financial assets

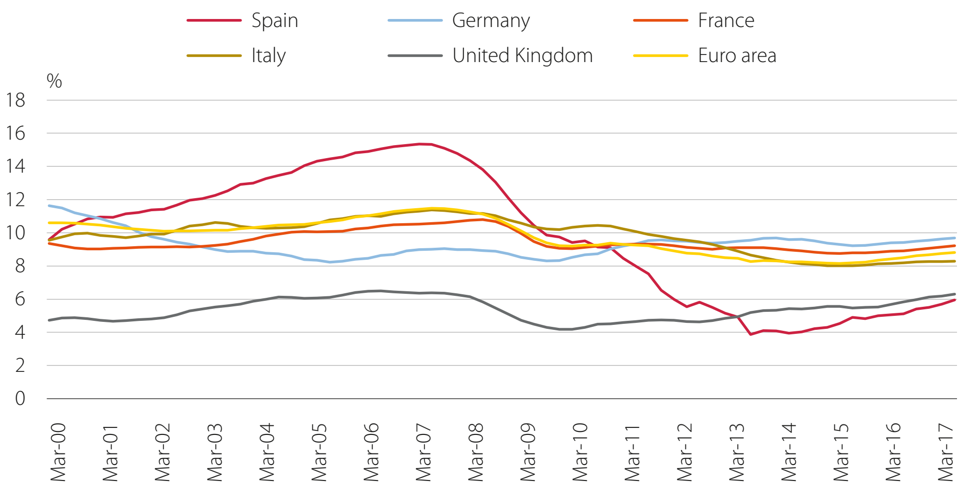
3.1 Investment flows

This section presents the evolution of household investments based on available resources either from their savings (which, as has been noted, are at low levels), or through borrowing (which has been used extensively). In fact, the widespread use of bank credit meant that until the end of 2009 Spanish households had a very high level of net borrowing between 2004 and 2008 – exceeding 5% of GDP in 2007, the most negative figure of the most important European countries. Since 2009, Spanish households have recorded average net lending of 2.3% of GDP, which is more in line with the behaviour observed in the euro area, where households have recorded average net lending of 2.9% throughout the analysed period.

With regard to the investment flows of Spanish households, as can be seen in Figure 3, until practically the start of the crisis, investment in non-financial assets (essentially real estate assets) rose significantly from values below 10% of gross disposable income to over 15% in 2007, well above those recorded in the euro area – which over those same years recorded very stable figures of 10-11% – and in the most important European countries.

As in the case of other financial figures of interest, the trend of household investment in non-financial assets changed profoundly as a result of the financial and economic crisis from 2009. Since then, this figure has fallen to 4% of disposable income, well below the average household investment of the euro area, which has always remained above 8% of income and has recorded few fluctuations. This fall was in line with the sharp adjustment of the real estate bubble of the Spanish economy, the severe restriction in the supply of bank credit and a very high unemployment level, which made it difficult to maintain such high investment rates. More recently (since 2015), investment by Spanish households in non-financial assets has started to rise once again, although the level (6%) remains well below that recorded in previous years and also in the euro area (8.8%).

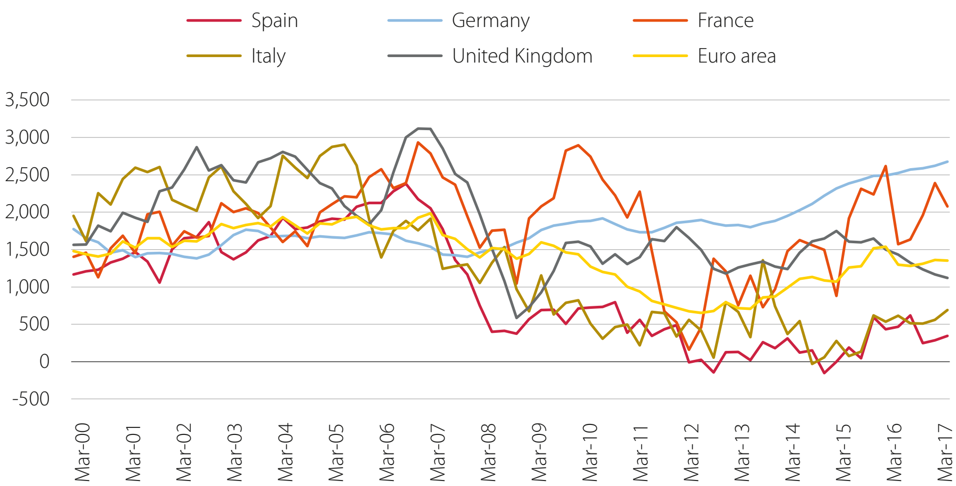
Household investment in non-financial assets: % of gross disposable income FIGURE 3



Source: Thomson Datastream.

Spanish household investment in financial assets grew and remained largely in line with the average of the euro area until the start of the crisis (see Figure 4). Household resources then fell, resulting in a sharp reduction in investment in financial assets between 2009 and 2015, which has been slowly recovering since 2016 but is still not enough to close the gap with the euro area. According to the most recent information, the annual per capita investment of Spanish households in financial assets stands at 642 euros, compared with 1,432 euros in the euro area. The averages for the whole period are 976 euros for Spain and 1,430 euros for the euro area.

Household investment in financial assets: euros per capita FIGURE 4



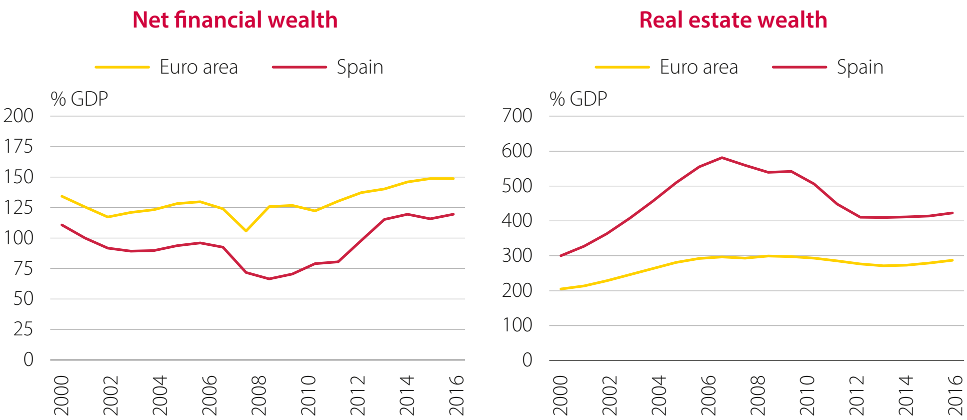
Source: Thomson Datastream.

3.2 Household wealth (balances)

The evolution of these investment flows together with the price of financial and non-financial assets since 2000 have had a significant impact on the wealth of Spanish households, with some differences noted with regard to the average of the euro area that have continued over time and even widened during the crisis. As shown in Figure 5, the net financial wealth (balance of financial assets minus liabilities) of Spanish households fell between 2000 and 2008 as a result of the sharp increase in debt (liabilities), which exceeded the size of investment in financial assets. In 2008, moreover, the significant fall in stock market prices had a negative impact on this component of wealth, which dropped to a low of 66% of GDP in 2008 (111% of GDP in 2000). Over the same years, the net financial wealth of euro area households fell from 134% to 106% of GDP, therefore showing a much more stable trend. Subsequently, the reduction in household debt together with the price increases of financial assets allowed the net financial wealth of Spanish households to increase to 120% of GDP at the end of 2017, although this remains significantly lower than the average for the euro area (150% of GDP). As an average for the whole period under consideration, the financial wealth of Spanish households was 35 pp of GDP lower than that of the euro area.

In contrast, the real estate wealth of Spanish households has historically been higher than the average of the euro area. As shown in the right-hand panel of Figure 5, at the start of the period analysed, this wealth stood at 300% of GDP in Spain, compared with 200% in the euro area. This difference (close to 100 pp of GDP) widened during the period in which the real estate bubble was generated in Spain as a result of the aforementioned strong investment by households in these assets, together with the significant increase in their prices (see Figure 10). This gap reached its widest point in 2007 with values of 280% of GDP. Following the adjustment of the sector's prices in subsequent years, the real estate wealth of Spanish households has fallen to levels of just over 400% of GDP, but it remains much higher than that of the euro area (just below 300% of GDP). On average in the period under consideration, the real estate wealth of Spanish households was 182 pp of GDP higher than that of the euro area.

Net financial wealth[1] and real estate wealth of households FIGURE 5



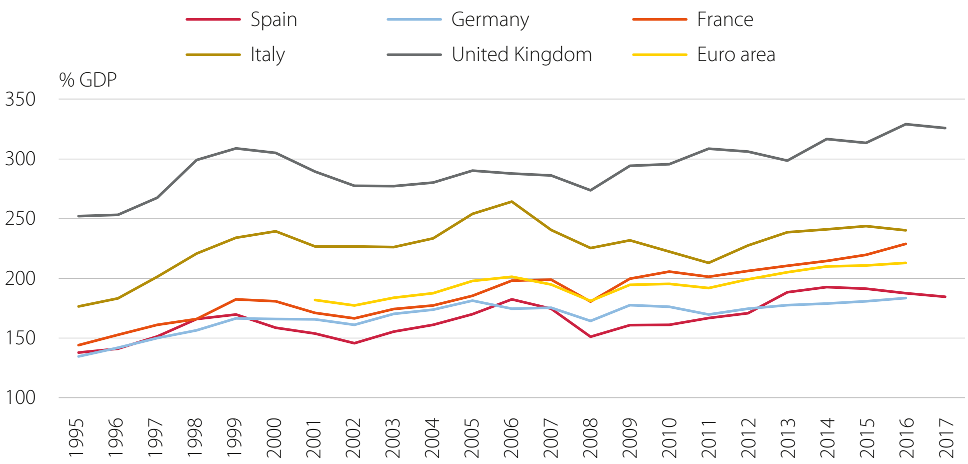
Source: Thomson Datastream.

1 Financial assets minus liabilities.

In short, it can be concluded that the wealth of Spanish households is higher than that of the average for the euro area, but its composition is significantly different as 82% is based on the real estate component (68% in the euro area) and 18% on the financial component (32% in the euro area). Furthermore, the recorded differences have continued over time – or even increased in the early years of the crisis.

At this stage, it is worth performing a more detailed analysis of the components of wealth related to the balance of households' financial assets (also referred to as gross financial wealth) and its composition. As can be seen in Figure 6, the balance of financial assets of Spanish households in relation to GDP rose from 138% in 1995 to 185% in 2017, with a significant decrease in 2008 coinciding with the price falls on stock exchanges. The path followed over time by financial assets in the euro area was relatively similar, but their level was an average 26 pp of GDP higher, with smaller fluctuations over the period.

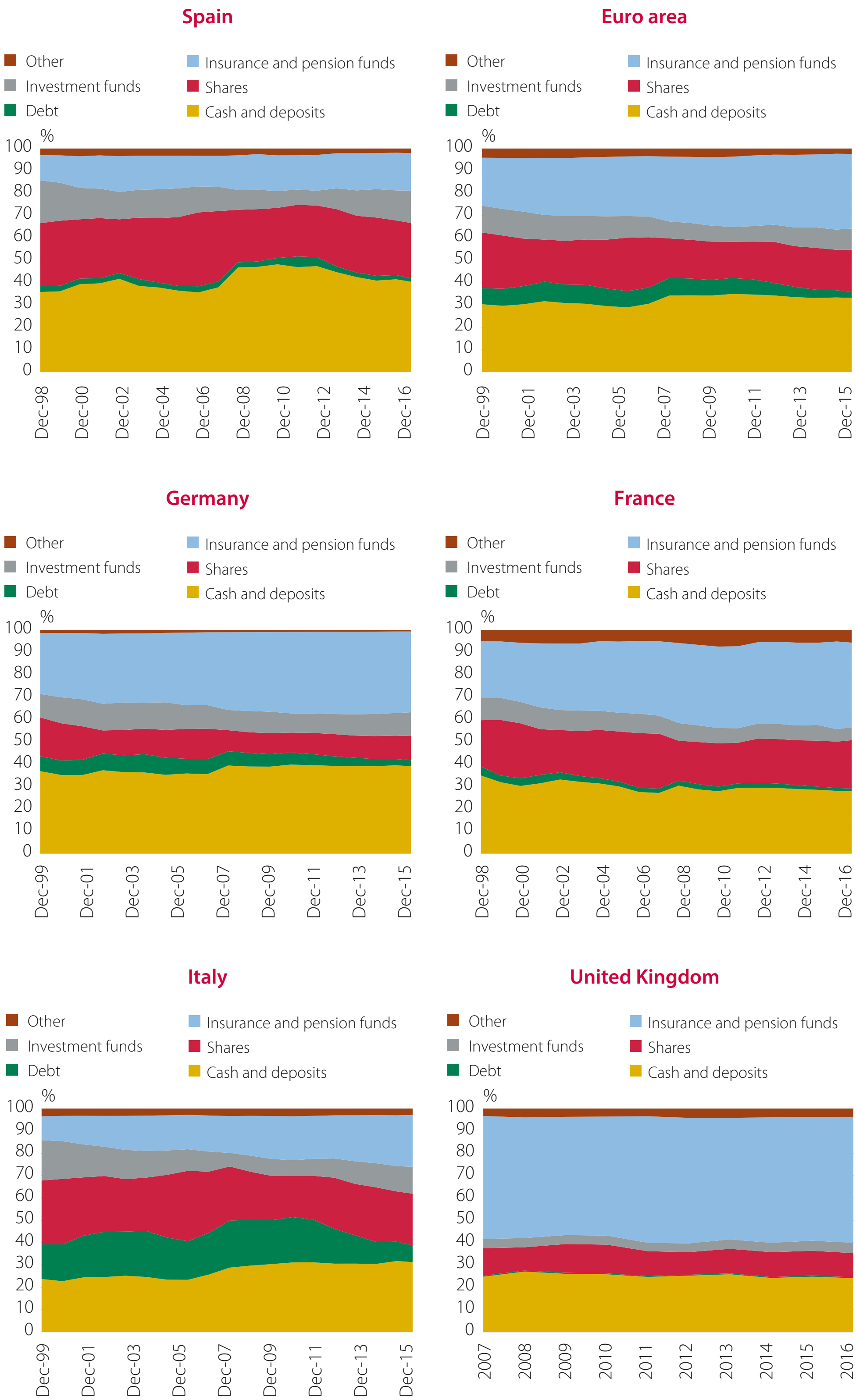
Balance of total financial assets FIGURE 6



Source: Thomson Datastream.

With regard to the composition of the portfolio of Spanish assets, the main differences between Spanish households and those in the euro area lies in the greater importance of currency and deposits (with an average over the period of 41% of the total in Spain and 32% in the euro area) and the lesser importance of insurance and pension funds (15% in Spain and 29% in the euro area). This last point may be related to the coverage of the current pension system, which may contrast with the models of other countries, in which households must devote a large share to these assets (for example, in the United Kingdom). Although it is usually stated that Spanish households are more conservative than those of other European countries, arguing the high level of liquid assets, the truth is that other risk options, such as equity (listed and unlisted) and investment funds, have a higher importance compared with the figures for the euro area. On average over the period under consideration, these options accounted for 38% of the total asset portfolio compared with 29% in the euro area (see the panels of Figure 7).

Breakdown of the balance of financial assets by asset class FIGURE 7



Source: ECB, Eurostat and Federal Reserve.

4 Factors explaining household saving and investment decisions

This section identifies some of the factors that seem relevant when explaining the saving and investment decisions of Spanish households over recent years. In particular, it places emphasis on the evolution of disposable income, the specific features of real estate assets, the tax system and the structural change involved in joining the euro area.

4.1 Evolution of available income and its distribution

The evolution of household disposable income is the first key element for explaining consumption, saving and investment decisions. In the years before the crisis, disposable income recorded significant growth (an average annual rate of 6.4%[2] between 2000 and 2008) in a context of strong economic growth, which allowed a significant expansion of private consumption in the economy (on average by 3.1% between 2000 and 2008). Consumption was boosted not only by the growth in income, but also by the low saving rate, which is explained by agents' confidence and the fall in uncertainty.

The latest economic crisis gave rise to an increase in differences both in income and in wealth in Spain and also in a large number of OECD countries. According to a study on income, consumption and wealth inequality in Spain recently published by the Bank of Spain,[3] hourly wage differences among wage-earners are not particularly high in Spain and did not increase over the crisis either. However, the significant increase in unemployment and the reduction in hours actually worked, which were mainly concentrated in workers with lower wages, led to a significant rise in the inequality of wage income and gross income per capita. Differences in consumption per capita were also accentuated during the crisis, particularly as a result of the fall in household spending on durable goods in the lower income brackets.

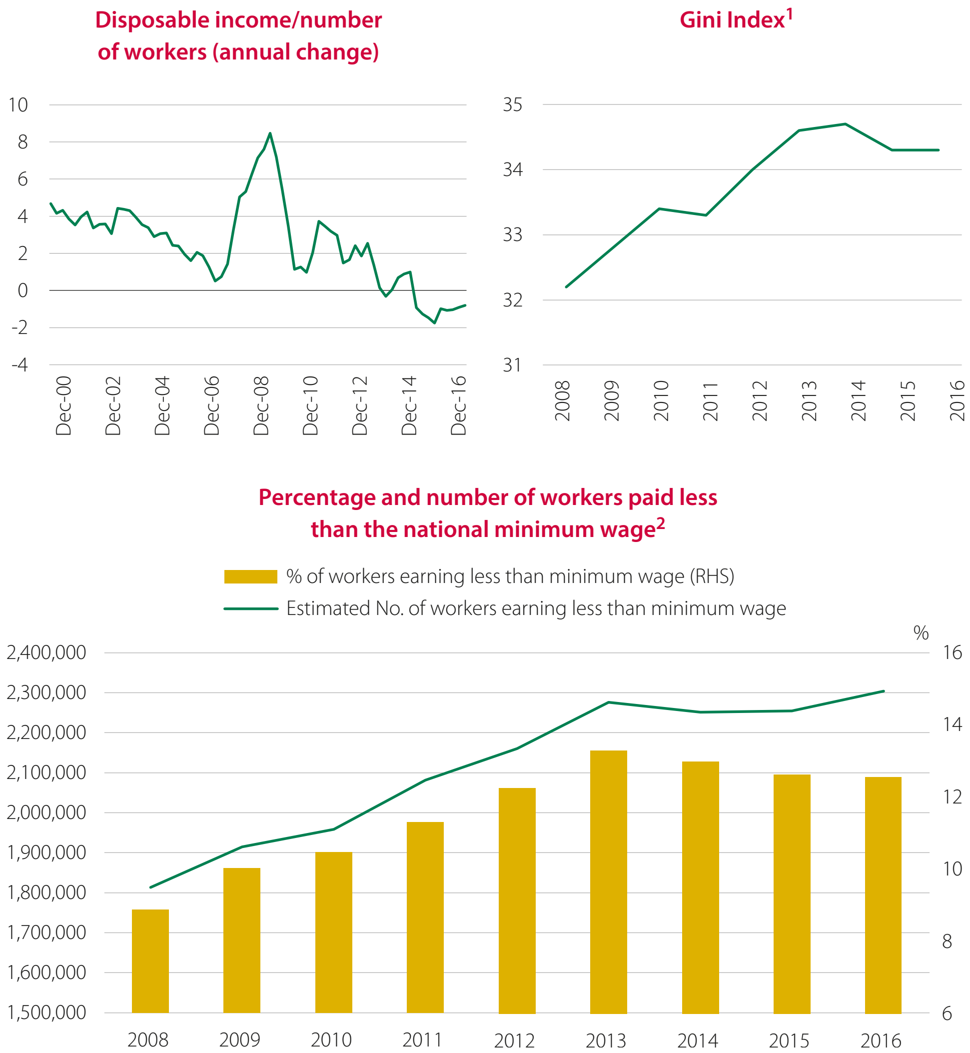
This increase in income differences that was recorded between 2008 and 2014 has tended to stabilise in recent years, in the context of new economic growth and falling unemployment rate, which has allowed a small reduction in the differences in wage income and income per capita (see panels of Figure 8). Despite this slight improvement in inequality, it is true that indicators such as gross disposable income per worker (in approximate terms) have fallen in nominal terms and that, in addition, there are still a considerable number of workers whose wages are lower than the national minimum wage. It is therefore reasonable to think that part of the low saving rate of Spanish households is the result of the high number of low-income households.

2 In nominal terms.

3 Anghel, B., Basso, H., Bover, O., Casado, J.M., Hospido, L., Izquierdo, M., Kataryniuk, I.A., Lacuesta, A., Montero, J.M. and Vozmediano, E. (2018). *La desigualdad de la renta, el consumo y la riqueza en España [Income, consumption and wealth inequality in Spain]*. Bank of Spain, Documentos Ocasionales No. 1806.

Disposable income and wage distribution

FIGURE 8



Source: Thomson Datastream and Annual Wage Structure Survey by the National Statistics Office (INE).

1 Calculated by the INE (Wage Structure Survey).

2 The number of workers with a wage lower than the national minimum wage has been estimated based on the proportion of workers with said salary in the Wage Structure Survey and the total number of employees in the economy according to the EPA (Labour Force Survey). The national minimum wage in 2016 stood at 9,172.80 euros.

4.2 Real estate assets: A need or an investment asset?

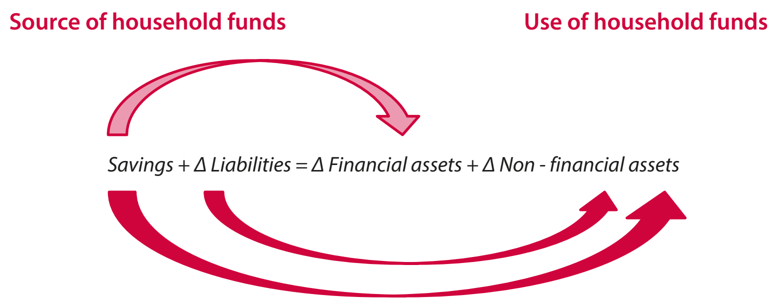
This section includes specific considerations relating to the assessment of real estate assets from the point of view of households. The average investment of Spanish households in real estate assets is significantly higher than the average investment in the euro area and it is worth considering whether there are objective factors that may have favoured this or whether, in contrast, household preference is the result of factors that may be considered cultural.

In theory, it may be argued that a significant proportion of households acquire real estate assets – primary housing – for their own use and not with the aim of obtaining future gains (if this asset is expected to increase in value over time). Households do not generally borrow in order to acquire an asset from which they expect a future gain resulting from its subsequent sale. Households borrow in order to acquire an asset that is necessary – in this case, their primary residence. This is shown by the latest Survey of Household Finances,[4] which reveals that nearly 90% of the total amount of household debts is used to purchase the primary residence and other real estate properties. Borrowing is not therefore designed to acquire financial assets, at least from the point of view of households.

The decision to buy homes rather than rent was for many years linked to the frictions of a rental market that offered prices similar to the payments resulting from borrowing to buy a home (including the tax benefits discussed below). In view of the similar monthly outlay, households have shown a clear preference for buying.[5] In certain urban centres, the holiday use of rented housing has also had a significant impact on the rise in rental prices, which has ultimately favoured house buying.

Figure 9 attempts to illustrate how these savings and investment flows and channels of a significant part of Spanish households may be understood. This Figure shows the main sources of household funds (savings and borrowing) and their uses (investment in financial and non-financial assets). On the basis of the information available, it is reasonable to believe that the funds obtained from borrowing and, possibly, a part of the savings, are used to buy non-financial assets (mainly housing), while the remaining amount of the savings is used to buy financial assets. Depending on the amount of the remaining savings, the purchase of financial assets would be more or less varied. When this amount is low, it will be directed mainly towards bank deposits and insurance, and only when the amount starts to take on a considerable volume will other alternative financial investments, such as investment funds and shares, be taken into consideration. These patterns are consistent with results shown by the Survey of Household Finances and the Survey of Financial Competences (see Section 5).

Source and use of household funds FIGURE 9



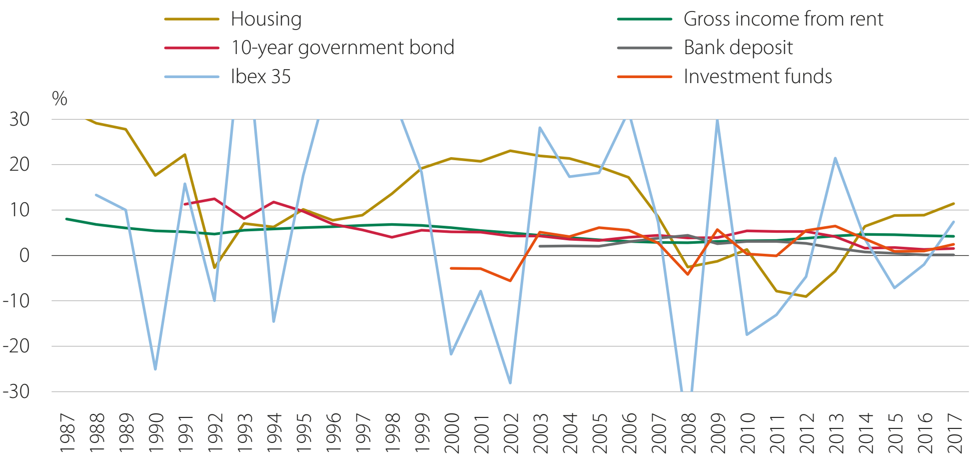
Source: CNMV.

4 Bank of Spain (2017). *Survey of Household Finances (EFF) 2014: methods, results and changes since 2011*. Analytical articles.

5 The study by Domínguez, J.M. and López, R. (2007). "Fiscalidad y coste de uso de la vivienda en España (2007)" [Taxation and the cost of housing in Spain (2007)], at the *14th Public Economics Meeting*, Santander, February – which analyses various aspects of taxation related to the purchase, financing, ownership and disposal of housing – concludes, *inter alia*, that for given housing prices, the amount would have to be reduced by around 50% in order to achieve financial equivalence between the two options.

In addition to the obvious purchases of real estate for use, it can be assumed that some households – at least until the onset of the crisis in 2008 – purchased real estate assets in order to obtain an attractive return, as the prices of these assets grew by an average of 16.4% per annum between 1995 and 2007 (see Figure 10). The return on other investment alternatives in the same period was either much lower (e.g., the average return on a 10-year bond was 5.1% and on a traditional bank deposit was 2.6%) or much more volatile (the average return on the Ibex 35 was 15.3%, in line with the increase in real estate prices, but its standard deviation was 21.6 pp compared with 5.6 for real estate returns).

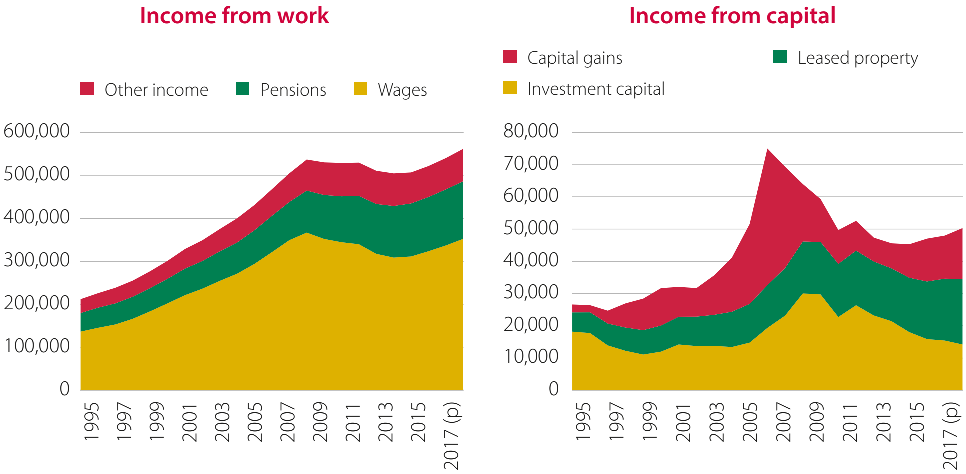
Return on different investment options FIGURE 10



Source: Bank of Spain (synthesis of indicators).

Data from monthly tax collection reports show that capital gains, which can largely be associated with the purchase and sale of real estate, were an increasingly important source of income for households. The amount of these gains grew from 2.4 billion euros in 1995 up to a high of over 42 billion euros in 2006, accounting for 56% of total capital income (see Figure 11). Data from recent years indicate that this source of funds has fallen to levels of between 13 billion and 15 billion, close to 30% of the total amount of this income.

Household income by source FIGURE 11



Source: Monthly tax collection reports.

In short, it may be concluded that real estate assets were purchased by Spanish households – with the consequent need for borrowing – to a major extent for their use but also as an investment as a result of the sharp increase in prices up to 2007. In the case of investors with the latter objective, investment decisions may largely have been taken on the basis of variables such as the return and underestimating some of the risks implicit to these investments, such as market risk (arising from excessive growth in prices) and liquidity risk (as a result of the impossibility of selling property quickly without suffering significant losses, particularly in contexts of sharp price adjustments, such as that between 2008 and 2013).

4.3 The tax system

The tax treatment of housing is a key element of tax policy that can have significant consequences on the orientation towards ownership versus renting, the wealth of families, their saving and investment decisions and even on the level of geographic mobility of the active population. In Spain, until relatively few years ago,[6] the tax system associated with the purchase and ownership of the primary residence undoubtedly favoured buying housing compared with renting and compared with other assets.

There are numerous studies with varying approaches and methodologies that have analysed the net tax burden associated with buying and owning the primary residence in Spain in order to determine its importance within the total cost of the purchase. Two of these can be given as an example: one published by the Bank of Spain (García-Vaquero and Martínez, 2005)[7] and another by the University of Malaga (Dominguez and López, 2007),[8] which are focused on analysing the taxation of housing in Spain. Both studies make estimates of the so-called "tax wedge", which is the difference between the cost of owning the property (cost of use) after taking into account the different taxes and deductions affecting the buyer and the corresponding cost before tax.

García-Vaquero and Martínez (2005) conclude that between 1986 and 2004 this tax wedge was negative, which indicates that the combined effect of taxes and buyer subsidies led to a reduction in their cost of use, i.e., a net subsidy and, therefore, an incentive to demand for housing by households. This subsidy was particularly noticeable in the case of the primary residence, but was also noted in the case of non-rented secondary residences. The results therefore confirm the permanent tax bias over those years in favour of home ownership compared with renting and also own-use secondary residences versus those to be rented out.

Following the same line, Dominguez and López (2007) estimate a net tax wedge of 22% of the total cost of use of the housing, which rises to 42% if the tax burden

6 With effect from 1 January 2013, for example, the deduction for investment in the primary residence was abolished.

7 García-Vaquero, V. and Martínez, J. (2005). *Fiscalidad de la vivienda en España [Taxation of housing in Spain]*. Bank of Spain, Documentos Ocasionales No. 0506.

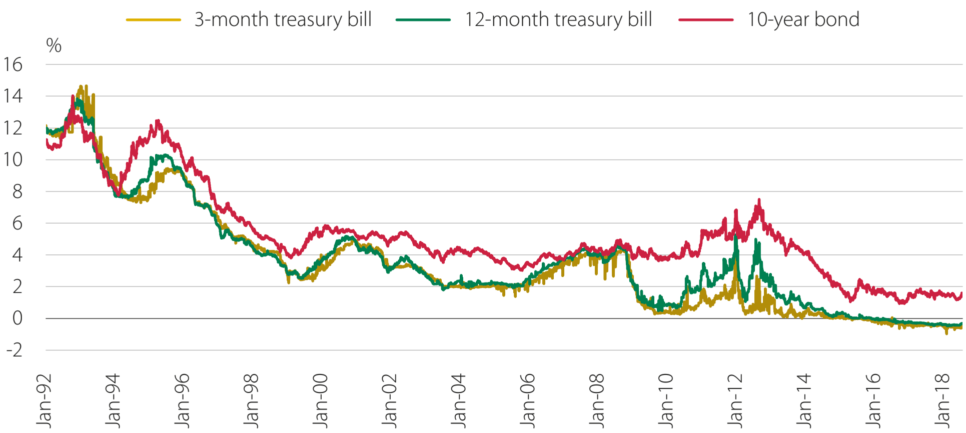
8 Domínguez J. M. and López, R. (2007). *Fiscalidad y coste de uso de la vivienda en España [Taxation and cost of use of housing in Spain]*. University of Malaga.

accumulated throughout the real estate development process is calculated. According to these authors, the tax wedge becomes higher with greater expectations of an increase in the price of the property and becomes lower with the period of ownership. They also indicate that the preferential tax treatment given to owner-occupied housing (tax relief for purchase and exemption from imputed income in the personal income tax return) means that the owner receives a reduction in the total cost of use of around 20%. However, they also argue that the removal of these two tax benefits would not prevent – in the economic framework under consideration – ownership remaining a more interesting option than renting, in the context of the price and rent levels seen in the market. In other words, the assessment of the tax treatment with regard to the option of ownership versus renting cannot be isolated from other fundamental variables, which include the annual increase in the price of the property.

4.4 Structural changes: Joining the Monetary Union

One of the most important catalysts in explaining the significant growth in private sector borrowing in the years prior to the crisis is related to the structural change brought about by Spain's entry into the euro area, with a significant and permanent decrease in the economy's interest rates. As shown in Figure 12, the yields on government bonds with different maturities fell from levels clearly above 8% to figures that, in general, were not above 4%,[9] and were even negative in the shortest maturities.

Spain: Spanish government debt yields FIGURE 12



Source: Thomson Datastream.

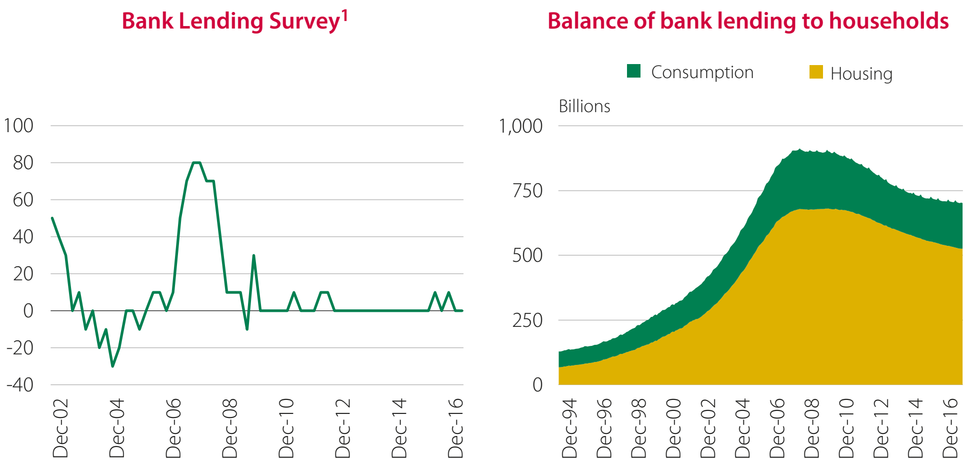
This gradual improvement in the conditions of access to financing took place in parallel with greater laxity in the criteria for granting credit, as a result of the competition between different entities. This greater laxity (increase in the amount of credit granted, longer repayment terms, lower spreads over Euribor...), in an environment of lower rates and growing income, led to the balance of lending to

9 Except, temporarily, the 10-year government bond at times of greatest uncertainty in the sovereign debt crisis in Europe between 2010 and 2012.

households to grow to highs of over 900 billion euros at the end of 2008, of which 74% was used for house purchases and 26% for purchasing consumer goods (see panels of Figure 13).

Following the outbreak of the crisis, in a context of economic recession, a sharp increase in unemployment and significant tightening of conditions for accessing credit, and the need to reduce some of the financial imbalances accumulated over prior years meant that households significantly deleveraged to, according to the latest data, levels close to the euro area average (see Figure 2).

Information on bank lending FIGURE 13



Source: Thomson Datastream.

1 Changes in approval criteria applied to loans or lines of credit to non-financial companies. Percentage of entities that have tightened the criteria less percentage of those that have relaxed them.

4.5 Cultural factors

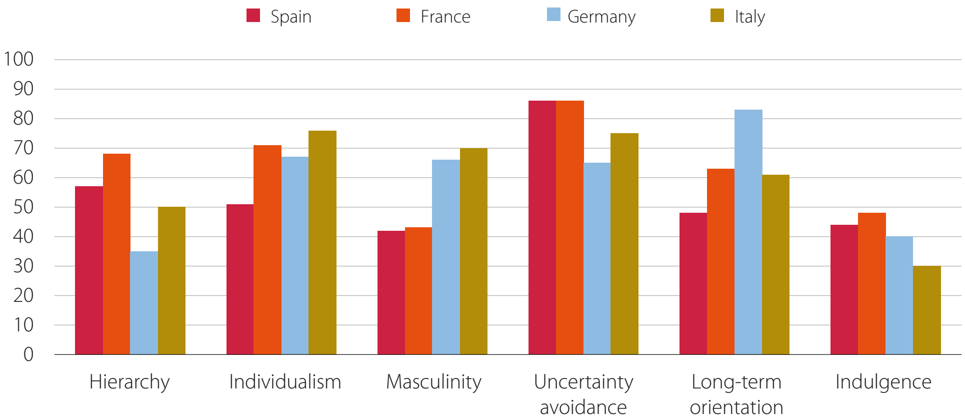
Assessing the influence of cultural factors on financial decisions is a very complex task. There are some academic studies that have tried to measure the cultural factors of different countries and their impact on some forms of conduct. These studies usually define the term "culture" as the usual beliefs and values that different social and religious groups transmit from generation to generation that distinguish them from other groups. The regulatory context partially affects the culture of a society, but similar rules in different countries may lead to different outcomes. A large part of the studies that aim to incorporate cultural factors into financial decisions are focused on issues of corporate governance and the capital (shareholder) structure of a company. For example, Chui *et al* (2002)[10] and Li *et al* (2011)[11] conclude that culture has a significant impact on capital structure. In particular, Li *et al* (2011) highlight the importance of national culture in corporate decisions.

10 Chui, A.C.W., Alison, E.L. and Kwok, C.C.Y. (2002). "The determination of capital structure: is national culture a missing piece to the puzzle?". *Journal of International Business Studies,* 33, pp. 99-127.

11 Li, K., Griffin, D., Yue, H. and Zhao, L. (2011). "National culture and capital structured decisions: evidence from foreign joint-ventures in China". *Journal of International Business Studies*, 42, pp. 477-503.

Many of the existing studies take into consideration the cultural dimensions developed by Schwartz (1994)[12] or those defined by Hofstede (1980).[13] The latter established six dimensions of a country's culture that represent individuals' preferences for a series of issues with regard to others which distinguish them from those of other countries (rather than distinguishing between individuals, it distinguishes between countries). Lievenbruck and Schmid (2014)[14] use cultural differences (based on Hofstede's dimensions) to explain companies' hedging decisions. Ahern *et al* (2012)[15] find strong evidence of a relationship between three of Hofstede's dimensions and the volume of cross-border mergers of companies. There are also studies that aim to relate cultural dimensions and international diversification with specific investor types.

Hofstede's cultural dimensions FIGURE 14



Source: www.hofstede-insights.com

Specifically quantifying the impact of cultural factors on household saving and investment decisions is a task that escapes this analysis (although it might be addressed as an extension of it), but it is worth highlighting the existence of those factors and the possibility that they may have played a significant role in financial decision-making processes. By way of example, Figure 14 shows the values of Hofstede's six cultural dimensions for Spain in comparison with the three most important neighbouring European economies: Germany, France and Italy. In general, these markers describe Spanish society as a population with a hierarchical structure that is relatively more important than in other countries, with a predominance of collectivism over individualism, where values relating to protection (femininity) are more important than those of competitiveness (masculinity), where uncertainty is avoided much more – although its decisions have a more short-term orientation – and in which indulgence (compared with strict compliance with the rules) is somewhat higher. In the absence of a more in-depth analysis, it does not seem

12 Schwartz, S. (1994). "Are there universal aspects in the structure and contents of human values?". *Journal of Social Issues,* 50 (4).

13 Hofstede, G. (1980). *Culture's consequences.* Sage Publishing, Beverly Hills.

14 Lievenbruck, M. and Schmid, T. (2014). "Why do firms (not) hedge? - Novel evidence on cultural evidence". *Journal of Corporate Finance* 25, pp. 92-106.

15 Ahern, K.A., Daminelli, D. and Fracassi, C. (2012). "Lost in translation? The effect of cultural values on mergers around the world". *Journal of Financial Economics*, 117, pp. 165-189.

unreasonable to expect that differences in the dimensions related to uncertainty – which denote high risk aversion – and short-term decision-making may have influenced household financial decisions.

5 Information from the Survey of Household Finances and the Survey of Financial Competences

5.1 Survey of Household Finances (EFF)

The Survey of Household Finances is a useful tool that allows us to confirm some of the trends in households identified in aggregate statistics and to complete the analysis with the results derived from the distribution of the indicators, which is so important in this type of study. As shown below, household habits and preferences change substantially depending on variables such as income, wealth and education and, therefore, these should be included in this analysis. There are other prior CNMV papers that have used the results of this survey to analyse household saving and investor behaviour.[16]

The following evidence can be extracted from the last EFF, corresponding to 2014, relating to the results of the previous survey from 2011.

– Households continue to have a high proportion of real assets, but this proportion fell slightly between 2011 and 2014. The proportion of the value of these assets compared with total assets fell from 84.6% to 80.2%.[17] At the same time, the percentage of households that held some form of real asset fell from 89.4% to 86.7% in the same period. This decrease came from households in the bottom two quintiles of the income distribution, in households headed by a person aged under 35 and households in the bottom quartile of wealth distribution. These changes are essentially the result of the effects of the last crisis on households with fewer resources. Despite the reduction in the ownership of real assets, Spain remains well above the figures for the euro area. For example, 80.4% of Spanish households own their primary residence, while for the 20 European Union countries participating in the Household Finance Consumption Network (HFCN), this percentage stands at 60.2%.

– Conversely, the share of financial assets in total assets rose from 15% to 20% between 2011 and 2014, with bank accounts, pension schemes and insurance

16 See Ispierto, A. and Villanueva, M.V. (2010). *Perfil inversor de los hogares españoles: análisis de la Encuesta Financiera de las Familias [Investor profile of Spanish households: analysis of the Survey of Household Finances]*. CNMV, Working Paper No. 40; and Ispierto, A. and Villanueva, M.V. (2011). *La inversión de los hogares españoles: una comparación con Estados Unidos e Italia [The investment of Spanish households: a comparison with the United States and Italy]*. CNMV, Working Paper No. 45.

17 This figure is very similar to that of the countries analysed in the Household Finance Consumption Network (20 EU countries), where it stands at 79.8%, although it should be noted that the figure is not entirely comparable as the latter includes vehicles and the Spanish figure does not.

losing relative importance, while the proportion of listed shares grew from 9.2% to 12.6% and that of investment funds from 5.6% to 9%. These movements differ from those in the HFCN: bank accounts increased their relative importance slightly (from 43.8% to 44.2%), while listed shares lost relative importance (from 8.1% to 7.1%). The weight of investment funds, in contrast, remained practically constant at 9.0%.

– With regard to the distribution of households' financial assets, it should be noted that the percentage of households that have accounts in order to make payments remained stable at 93%, while those associated with other accounts and fixed-income securities fell slightly. The percentage of households investing in the stock market and investment funds rose, with a sharp increase in the median value of the investment in listed shares (from 6,800 euros per household to 11,200) and investment funds (from 10,400 euros to 39,300). These two amounts are above those recorded in the euro area, where the median investment in listed shares stood at 7,000 euros and investment funds at 12,300 euros. There was also significant growth in the median investment in fixed-income securities (from 12,200 euros to 24,600; 18,200 euros in the euro area), even though a lower proportion of households invests in these assets. As noted at the beginning of this section, this trend is best explained by taking into account the sharp differences in distribution. For example, the increase in investment in shares and in fixed-income securities is only significant in the highest income and wealth percentiles and also in older age brackets, while the increase in investment funds is noted, above all, in all types of household strata (income, age, wealth, employment situation of the head of the household, etc.).

– The proportion of households investing in insurance and pension schemes stood at 26% (similar to the proportion recorded in the previous survey), while the median value of this investment rose from 8,200 euros to 10,000 euros. However, this increase is only significant in levels of income above the 80th percentile, in households headed up by a person over 55 years old, in households with retired persons and in those with a high level of wealth (above the 75th percentile). The HFCN data show that both the percentage of households investing in these assets at a European level – above 40% – and the amount invested – an average value of 13,100 euros in 2014 – are much higher.

5.2 Survey of Financial Competences

The Survey of Financial Competences has been carried out jointly by the Bank of Spain and the CNMV as part of the Financial Education Plan and is included in the National Statistics Plan.[18] The INE (National Statistics Institute) also contributed by drawing up the initial sample and calculating the elevation factors. The survey measures the financial literacy and understanding of the Spanish population aged between 18 and 79, as well as the holding, acquisition and use of different savings, debt and insurance vehicles.

18 See the presentation of its main results at the following link: https://www.bde.es/f/webbde/SES/estadis/otras_estadis/2016/ECF2016-en.pdf

The results of this survey reveal the following evidence with regard to the different blocks of information:

– The survey asked three questions on financial literacy: one about inflation, another about compound interest rates and the third about the concept of diversification. According to the survey results, 58% of respondents gave a correct answer to the inflation question, 46% to the interest-rate question and 49% to the risk diversification question. The other respondents either answered incorrectly or did not know the answer. The percentage of correct answers rises sharply when the educational level is higher, while the percentage of correct answers is higher in the middle age groups.

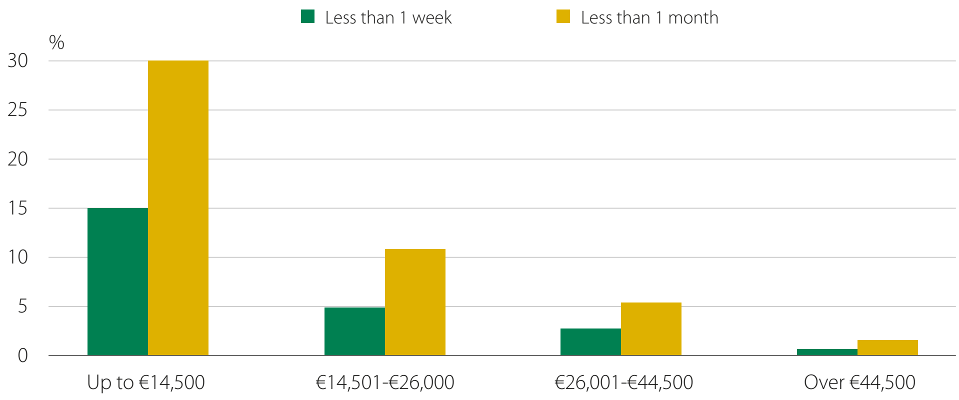
– With regard to knowledge of financial products, respondents reported a greater knowledge of debt and insurance products than of savings vehicles. The differences found also exist in terms of educational level and age group. With regard to the holding of financial products, it should be noted that only 3% of the respondents do not have a current account (mainly corresponding to people with primary education, income under 14,500 euros and immigrants), while 43% have some type of savings vehicle and 41% some type of debt.

– 38% of individuals have acquired a savings, insurance or means of payment vehicle or have borrowed in the last 2 years, with credit cards (16%) and personal loans (14%) being the most common products. These percentages vary significantly depending on the different levels of education and income when referring to savings products, but not so much with regard to debt or insurance products. In addition, a significant proportion of the respondents (62%) indicate that they normally only consider options from one single financial institution or one single product. In general, product comparers are used more for buying shares (27%) than for acquiring savings accounts (11%).

– A striking feature of respondents' saving patterns relates to the method chosen for saving. The proportion of individuals reporting having saved in the last 12 months stood at 61%, with the most common methods being savings accounts (65%) and, strikingly, savings in cash (38%). This last pattern is even noted among those with high incomes.

– One of the most significant points of the survey relates to the high proportion of households with financial difficulties and, therefore, with a more or less significant level of vulnerability. According to the results obtained, 28% of individuals live in households in which expenses exceeded income in the last 12 months, with significant differences noted depending on age, income and autonomous region. In 51% of these cases, the negative gap was financed through savings; in 35% with the help of friends and family; and 15% resorted to postponing payments or running an unauthorised overdraft on their card. The level of vulnerability of households may be classified as high since almost half declared that if they lose the main source of income, they could maintain their spending for less than 8 months (29% between 1 and 6 months, 15% less than 1 month and 7% less than 1 week). In this last point, there were sharp differences between income and wealth groups. In Figure 15, which shows these differences according to income, it can be seen how low-income households (below 14,500 euros) have a much higher level of vulnerability: 30% of them could meet their expenses for only 1 month and 15% for barely 1 week.

Economic vulnerability of households[1] FIGURE 15



Source: Presentation of the results of the Survey of Financial Competences by the Bank of Spain and the CNMV.

1 To the question: "If you stopped receiving your household's main source of income, how long would you be able to meet your expenses?". The results are presented according to the household's level of income.

– Finally, the survey offers a small international comparison relating to some of the issues raised. In the case of financial literacy, Spain appears in line with or below the OECD and European Union average, depending on the question. With regard to the holding and acquisition of financial products, Spain is well above the average in the holding of means of payment and below the average in savings and life insurance products. It is also below average in the recent acquisition of financial products. Finally, the proportion of households in which expenses exceeded income in the last twelve months is similar to that of the OECD and the European Union.

6 Impact on the economy

An economy in which households continually record a relatively low level of savings (and, therefore, higher consumption) and a stronger preference for acquiring non-financial assets (as opposed to financial assets) may show differentials compared with other surrounding economies. This section describes some, but not all, of the consequences that these patterns may have on the economy's growth and composition, as well as other important effects, distinguishing those which are most likely in the short term from those that are more likely in the medium and long term.

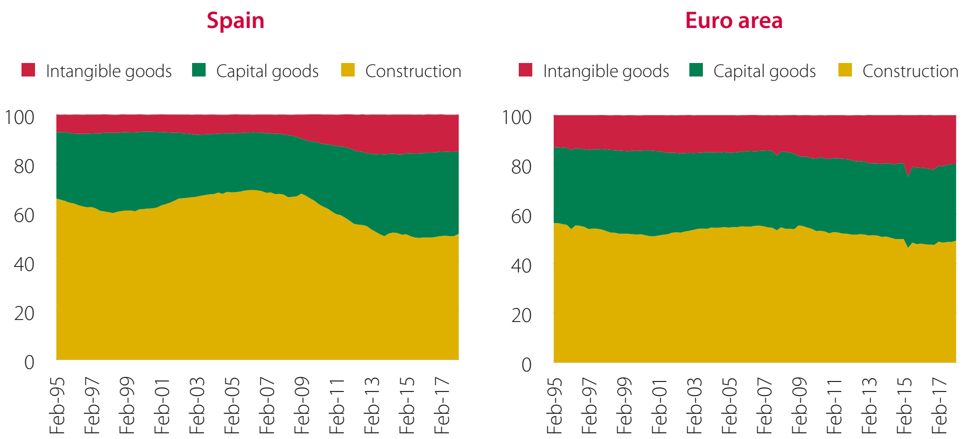
In the short term, a model characterised by a relatively low level of saving and, therefore, a higher rate of consumption results in an increase in the economy's domestic demand and higher GDP growth. However, this growth would not be balanced between domestic demand and foreign demand, with domestic demand having a relatively higher importance. Furthermore, it is reasonable to think that the key figure in that domestic demand would be private consumption expenditure to the detriment of investment (not real estate investment) due to the lower accumulation of capital generated by the low level of savings. This latter effect might be mitigated if other private and foreign sectors partially offset households' small savings.

Household preferences for acquiring non-financial assets – mainly real estate assets – also direct the composition of the economy's growth towards activities relating to construction and real estate. These are relatively less capital-intense sectors where the level of training of workers is lower, which hinders mobility at times of crisis. Finally, this preference significantly raises the debt held by households, which are unable to acquire these assets only with their savings and therefore end up increasing their liabilities.

Many of these patterns were observed in the Spanish economy from the middle of the 1990s until just before the onset of the financial crisis. In this period, private consumption grew at an average annual rate of 3.6%, while GDP grew at 3.8%, compared with 2.3% in the euro area for both indicators. Domestic demand contributed 4.5 pp to this growth, compared with -0.7 pp from external demand, and the gross value added of the construction sector grew at an average rate of 3%,[19] raising its weight in the total economy from 14.6% to 20.2%.

The breakdown of gross capital formation into its main components (investment in construction, capital goods and intangible goods) reveals the Spanish economy's bias in favour of construction activities to the detriment of other types of investment (see Figure 16). Between 1995 and 2007, investment in construction in the Spanish economy accounted for (on average) 65% of total investment (54% in the euro area), compared with 28% of investment in capital goods (32% in the euro area) and 7% of investment in intangible goods (14% in the euro area). Following the crisis, the composition of gross capital formation in the Spanish economy is more in line with that of the euro area: the latest data[20] show that investment in construction accounted for 51% of the total (49% in the euro area), investment in capital goods accounted for 34% (31% in the euro area) and investment in intangible goods accounted for 15% (20% in the euro area).

Breakdown of gross capital formation FIGURE 16



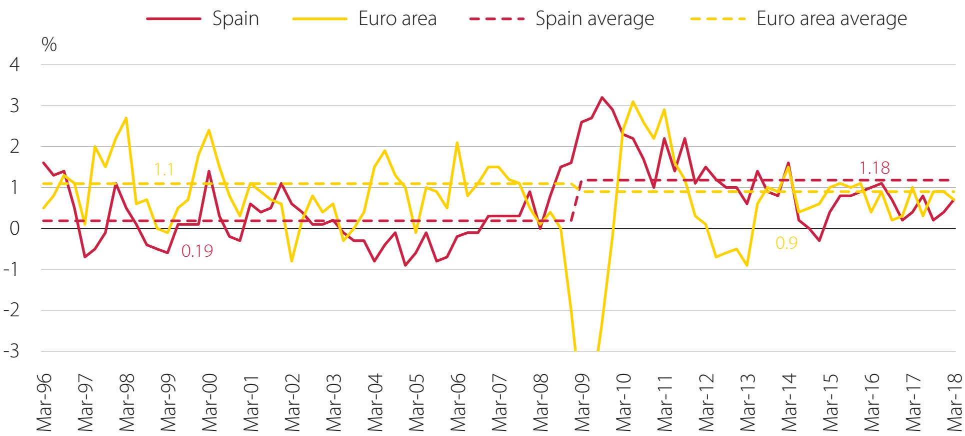
Source: Thomson Datastream.

19 Between 2000 and 2006.

20 First quarter of 2018.

As a result of the greater importance of real estate-related activities, the (apparent) labour productivity of the Spanish economy grew at well below the rates recorded in the euro area before the crisis. As shown in Figure 17, the annual change in productivity (per worker) grew in Spain by 0.19% on average prior to the crisis, compared with 1.1% on average in the euro area. Following the adjustment of the imbalances during the years of the crisis, labour productivity in Spain grew at rates that were much more similar to those of the euro area (1.18% in Spain compared with 0.9% in the euro area, on average, since 2009).

Labour productivity (per worker, real terms, and annual change) FIGURE 17



Source: Thomson Datastream.

Household savings, borrowing and investment indicators have already been described above. Average saving before the crisis was below 6% of gross disposable income (13% in the euro area) and debt peaked at 134% of income in 2007 (94% in the same year in the euro area).

This growth model may have negative effects on the economy over the medium term in several ways.

Firstly, it is a savings and investment model that can end up generating bubbles in the price of real estate assets. It is true that in the case of Spain, the generation of the bubble was driven by the other aforementioned catalysts, such as the sharp reduction in interest rates, the increase in the supply of credit and the tax system. It is possible that without these elements, real estate prices would not have recorded such strong growth,[21] but they would probably have followed a clearly upward trend. Parallel to growth, significant financial imbalances may arise, such as the aforementioned heavy household borrowing, which in times of recession and rising unemployment may result in an increase in non-performing loans.

Other relevant factors relating to the clear preference for purchasing housing are related to the reduction in the mobility of the labour input within the economy. Some of the studies that have addressed this issue have reached the conclusion that the mobility of workers in Spain is much lower than in other European economies, a

21 The average annual growth in house prices was 16.4% between 1995 and 2007.

characteristic that is partially explained by the high proportion of home-owning households (around 80%, although falling), which makes it more difficult to move elsewhere. Huber (2005)[22] calculates internal migration ratios (between regions) for several European Union countries and concludes that the countries with the lowest ratios are Spain, Italy and several Eastern European countries. In contrast, Denmark, the Netherlands and Sweden are among the countries with the highest rates of internal migration. The perspective changes, however, if we look at migrations between countries (rather than within them).[23] According to this study, which evaluates the proportion of workers in each country that worked in another Member State between 2008 and 2012, Spain appears among the European economies with the highest ratios, at 4%, well above the average of the European Union and of the major economies such as Germany, France, the Netherlands, the United Kingdom or Italy. Therefore, the bias related to owner-occupied housing in Spain seems to have had a negative impact on the mobility of workers within the country, but not on migration to other countries.

In the same vein, the study by Blanchflower and Oswald (2013)[24] on the United States identifies significant differences between the different states in that the states that record a higher home-ownership ratio suffer from higher unemployment rates. These authors argue that a high rate of home-ownership harms the employment market as it acts as a negative externality in three ways: i) it reduces labour mobility (as in the studies mentioned above), ii) it raises commuting costs and iii) it reduces the entrepreneurship ratio. The authors indicate that the time lags of these effects are long, which may explain why they are so little-known. Finally, and no less important, one of the most significant effects that the patterns might have on the economy is precisely related to the lower level of development of financial markets, whose essential role has been demonstrated on so many occasions. In the end, an economic model with lower investment in financial assets results in smaller and less developed financial markets, which may have a negative impact on the potential growth of the economy and prevent them from fully demonstrating their anti-cyclical nature during a credit squeeze.

There are many examples that demonstrate that the performance of an economy that relies on the banking sector as an almost exclusive source of financing eventually leads to imbalances that might result in periods of crisis and a lack of credit.[25] The existence of a financial system that is more balanced between the banking sector and capital markets produces major long-term benefits as it allows greater efficiency in allocating capital to attractive investment projects. Both sources of funding are complementary and have their own comparative advantages. The banking sector, for example, has developed a high level of knowledge for distinguishing borrowers of different qualities and seems to be a better option in those industries where there are strong information asymmetries. In contrast, financing based on

22 Huber, P. (2005). *Inter-regional mobility in the accession countries: a comparison to EU-15 member states*. WIFO, Working Papers No. 249.

23 European Foundation for the Improvement of Living and Working Conditions (2014). *Labour migration in the EU: recent trends and policies*. Eurofound.

24 Blanchflower, D. and Oswald, A. (2013). *Does high home-ownership impair in the labour market?* NBER, Working Papers No. 19079.

25 See the speech by Anne O. Krueger, special advisor to the IMF: "Financial Markets and Economic Growth" (2006), available at https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp092806

capital markets is a very attractive option for industries undergoing constant technological progress and also in those industries where there is no great consensus on how they should be managed. In this regard, capital markets exercise a type of control over the companies' managers. In addition, as mentioned above, at times of crisis, capital markets usually act as a buffer, providing greater stability to the sources of financing for companies in the event of credit restrictions.[26]

The project relating to the Capital Markets Union in the European Union specifically follows this same line as it indicates said union aims to encourage stronger and more sustained economic growth in the area by creating deeper and more integrated financial markets, removing cross-border barriers, enhancing competition, reducing the cost of capital and improving the access of companies, particularly smaller companies, to financing.

In short, it may be concluded that an economy with smaller and less developed financial markets is destined to grow at a lower rate over the medium term than other similar economies that have a more balanced financial system.

7 Conclusions

This article has analysed the savings, investment and borrowing decisions of Spanish households since the middle of the 1990s, offering a comparison with trends observed in other surrounding European countries and in the euro area in general. The available information shows that the saving rate of Spanish households was lower than in the euro area throughout the period considered, even at the time at which Spanish households saved much more than at the start of the crisis as a result of precautionary saving. In parallel with this low level of saving, Spanish households borrowed significantly more than European households until the start of the crisis, when the gap between both reached 40 pp of gross disposable income (134% in Spain and 93% in the euro area). This borrowing was mainly used to acquire non-financial assets (in particular, housing) as opposed to the acquisition of other assets.

It may be argued that before the crisis, there was a series of factors which allowed and even intensified these trends:

– The economy was growing strongly and rising household incomes led to households making more ambitious investment decisions.

– The fall in interest rates following Spain joining the euro area together with a sharp increase in the supply of credit significantly boosted borrowing by the private sector.

– The existing tax system encouraged the acquisition of housing rather than other assets and as opposed to the option of renting.

26 See the speech by Willem F. Duisenberg, President of the ECB: "The Single Financial Market: Two years into EMU" (2001), available at https://www.ecb.europa.eu/press/key/date/2001/html/sp010531.en.html

Following the crisis, the bursting of the real estate bubble and the significant increase in unemployment, households began a sharp process of debt reduction, which now places the level of household debt at rates very close to the average for the euro area, while the saving rate has once again returned to historic lows (below 6% of available income). Part of the reduction in savings can be associated with the high number of low-income households, whose saving capacity is very limited. There are also households that had postponed during the crisis consumption of certain durable goods that they can now afford.

It can be deduced from the behaviour of households that their resources have come from small domestic savings and larger debt, and that these have mainly been used to acquire real assets, while investment in financial assets has been much less significant. In aggregate terms, Spanish households are richer than those in the euro area, but this is exclusively the result of the greater weight of real assets (453% of GDP on average compared with 271% in the euro area), with (net) financial assets accounting for 95% of GDP, compared with 130% in the euro area.

With regard to this last point, it is important to note two issues:

- The volume of investment by Spanish households in financial assets was lower than the euro area average throughout the period considered (between 25 and 30 pp of GDP).
- However, the composition of the financial assets acquired is not excessively different: while it is true that the importance of investment in cash and deposits is somewhat higher than in the euro area, it is also true that the importance of options such as shares and investment funds is somewhat higher.

An analysis of the most recent data, many of which come from different surveys, shows significant changes in some of these trends. For example, the relative importance of real estate assets within the household portfolio has fallen somewhat (although it remains well above euro area levels), while the relative importance of financial assets has increased. However, this behaviour is not true for all the population strata. In particular, the fall in importance of real assets is related to the difficulties of younger households and lower-income households to access housing, and the increase in investment is only significant for higher-income households. The only exception has been investment in investment funds, which seems to have increased over the last few years in all household groups.

It is possible that an economy in which households systematically save little, borrow more and demonstrate a clear preference for real assets brings favourable consequences in the short term, generated by higher growth (based on the strength of consumption), but there would be an imbalance between domestic and foreign demand and growth would be somewhat biased towards construction and real estate activities, which are less productive sectors. The consequences seem to be more unfavourable in the medium and long term to the extent that this context favours the accumulation of certain financial imbalances (excess leverage) of the formation of (real estate) asset price bubbles, which may be unsustainable at a particular time and generate negative effects on economic agents and growth. This preference for home ownership may also lead to a less mobile labour supply within the country itself. Finally, this model leads to less developed financial markets, which has clear effects on the economic development of any country.

Looking ahead, it would be desirable for household savings to be somewhat higher and for their investments to be more balanced between real assets and financial assets. This would allow, *inter alia*, more developed financial markets, with the subsequent beneficial effects for the long-term growth of the economy. However, this process has two fundamental obstacles:

– The first obstacle is related to the evolution of household income and, above all, its distribution. A substantial increase in household savings is unlikely until lower-income households enjoy somewhat higher growth – unless higher-income households save more – and, therefore, become less vulnerable in financial terms.

– The second limitation is related to the difficulties that still exist with regard to financial education. It is very likely that the improvement in the population's financial literacy will lead to more balanced investment between the different options, with a place for assets that might not have been considered previously. In this regard, all the efforts made by the CNMV and the Bank of Spain to improve the population's financial literacy are positive.

One last factor to be discussed in this analysis when considering the likely future of households' financial investments relates to a possible increase in investments in investment funds. The challenges arising from the ageing of the population in Spain (as in other European countries) and, as referred to above, the improvement in financial education might have a positive impact on households' investments in capital markets, in collective investment schemes and in pension funds.

III Legislative annex

New legislation since publication of the CNMV bulletin for the second quarter of 2018 is as follows:

Spanish legislation

– CNMV Circular 2/2018, of 12 June, amending Circular 5/2013, of 12 June, defining the templates for the annual corporate governance report of public listed companies, savings banks and other entities with securities admitted to trading on regulated markets, and Circular 4/2013, of 12 June, defining the templates for the annual report on the remuneration of directors of public listed companies and members of the board of directors and control committee of savings banks with securities admitted to trading on regulated markets (ISSUERS AND LISTED COMPANIES).

  Until this Circular, reporting entities had submitted their corporate governance reports and director remuneration reports using the standard templates established for this purpose. In addition to the obvious benefits of this system, a series of disadvantages had been detected. These included a certain lack of flexibility for companies that limited their ability to organise and structure the information in a way that they believe best explains the entity's history and development. This led some companies to prepare, in addition to the standardised template for complying with their legal obligations, another template with a format that was better adapted to their particular context and circumstances and the company's corporate image to be distributed among their shareholders, institutional investors, proxy advisors and other stakeholders.

  It was therefore considered appropriate in the case of issuers to remove the mandatory nature of the templates contained in the standardised electronic documents of the corporate governance reports and director remuneration reports established in CNMV Circulars 4/2013 and 5/2013. Those entities that do not wish to use the standardised electronic document are now able to submit the reports in a freely decided format, the content of which must respect the minimum content established by legislation – including this Circular – and which must be accompanied by statistical annexes so as to continue having a minimum amount of information with the standardised format in order to allow it to be compiled and subsequently processed by the CNMV.

  Royal Decree-Law 18/2017, of 24 November, amending the Code of Commerce; the recast version of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July; and the Accounts Auditing Act 22/2015, of 20 July, on non-financial information and diversity, extend the scope of information to be provided in the annual corporate governance report with regard to the diversity policies applied by the company, with the requirement to refer to gender diversity and, for companies that are not small or medium-sized according to the definition included in accounts auditing legislation, also to age, disability, training and professional experience of the directors.

It also includes some technical adjustments, both in the annual corporate governance report and in the annual report on the remuneration of directors, to introduce or develop sections that are relevant for appropriately understanding the corporate governance system of securities issuers and the remuneration of the directors of public limited companies.

Finally, it has been considered appropriate to include a new annual corporate governance report template applicable to entities that make up the institutional public sector that are issuers of securities other than shares, which is more simplified and adapted to the specific features of these entities.

This Circular entered into force on the day following that of its publication in the *BOE* – Official Journal of Spain – (16 July 2018) and applies to annual corporate governance reports and director remuneration reports that entities subject to the requirement must file corresponding to financial years ending as of 31 December 2018, inclusive.

– Royal Decree-Law 14/2018, of 28 September, amending the recast version of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October.

  This Royal Decree-Law aims to complete transposition into legally binding standards of Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU; Directive 2016/1034 of the European Parliament and of the Council, of 23 June 2016, amending Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments; and Commission Delegated Directive (EU) 2017/593, of 7 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council, with regard to the safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits.

  • The preliminary title, which contains the general provisions and defines the entities that are excluded from the scope of application of the recast version of the Securities Market Act in relation to the content corresponding to Directive 2014/65/EU, is amended.

  • Part V of Title IV is amended to allow the CNMV to impose limits on the volume of a net position that may be held in certain derivatives, as well as the obligations of trading venues to disclose and report positions in certain derivatives.

  • Parts III, V and VI of Title V of the recast version, which contain the legal system applicable to investment firms and investment activities, are amended.

  • A new Title V *bis* is introduced regulating data reporting services, an area addressed for the first time in a European Directive, by detailing the essential elements of the authorisation procedure applicable to providers of these services and the internal organisation requirements with which they must comply.

- Title VII, which refers to the conduct of business rules to be followed by investment firms and investment activities, is amended to ensure adequate investor protection.

- Some supervisory powers are amended and some are added in accordance with the provisions of Directive 2014/65/EU. Significant amendments are also made to Part II of Title VIII, which concerns cooperation with other authorities. Four exceptions are added to the CNMV's obligation to maintain professional secrecy.

- Two new parts are added to Title X, relating to the reporting and disclosure of infringements, incorporating the new aspects contained in the transposed European legislation.

- It provides that in determining the scope of the concepts contained in this Royal Decree-Law, the definitions contained in Directive 2014/65/EU and its implementing legislation must be taken into account.

A second additional provision on "Alternative Dispute Resolution for Consumer Disputes" is added. It provides that the CNMV's Complaints Service – regulated in Article 30 of Law 44/2002, of 22 November, on Measures to Reform the Financial System – will act as the alternative dispute resolution entity in the field of securities markets until the creation of a single competent authority for the resolution of consumer disputes in the financial sector.

This Royal Decree-Law came into force on the day following that of its publication in the *BOE* (Official Journal of Spain). As an exception, the amendments to Articles 146, 147, 148, 149.2 second paragraph, 149.3, 152, 153, 151, 160, 161, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 176, 177, 193, 194, 195, 196, 205 and 207 shall enter into force at the time when the royal decree implementing them enters into force. The provisions of Articles 234.2(d) and 234.12 will not apply until the amendment to the Data Protection Act has been approved and its Eighteenth Additional Provision has entered into force.

– Corrigendum to Royal Decree-Law 14/2018, of 28 September, amending the recast version of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October (*BOE* – Official Journal of Spain – 18/10/2018).

– CNMV Circular 4/2018, of 27 September, amending Circular 1/2010, of 28 July, on the confidential information that must be provided by investment firms, and Circular 7/2008, of 26 November, on accounting standards and the annual accounts and confidential information statements to be submitted by Investment Firms, Collective Investment Scheme Management Companies and Venture Capital Management Companies.

The main objectives of this Circular are as follows:

i) To update the templates for confidential information statements established in Circular 1/2010 that must be submitted by both credit institutions and investment firms in order to gather information on new aspects provided for in MiFID II regulations, such as, for example, the new methods used to provide investment advice (both independent and non-independent) and cross-selling. The amount of information on the financial instruments held by clients in intermediaries has also increased, as it should now be provided on a per-instrument basis. Finally, other minor updates are also introduced in view of the experience acquired since the last amendment.

ii) To update the confidential information statement templates for investment firms in order to obtain information on the following aspects:

- Any ancillary activities that they may carry out.
- The category of liquid assets in which cash and collateral received from clients are invested.
- The calculation of capital requirements for general fixed expenses.

The first confidential information statements to be submitted in accordance with Circular 1/2010, adapted to the new templates, will be those relating to the period of activity from 1 January to 31 March 2019, and must be submitted by 20 April 2019. With regard to the amendments made to Circular 7/2008, the first information statements adapted to the new templates will be those corresponding to 30 April 2019, which must be submitted by 20 May 2019.

European legislation

– Regulation (EU) 2018/946 of the European Parliament and of the Council, of 4 July 2018, replacing Annexes A and B to Regulation (EU) 2015/848, on insolvency proceedings.

– Commission Delegated Regulation (EU) 2018/959, of 14 March 2018, supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards of the specification of the assessment methodology under which competent authorities permit institutions to use Advanced Measurement Approaches for operational risk.

– Commission Delegated Regulation (EU) 2018/977, of 4 April 2018, correcting the Bulgarian language version of Delegated Regulation (EU) 2017/653 supplementing Regulation (EU) No. 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents.

– Commission Delegated Regulation (EU) 2018/990, of 10 April 2018, amending and supplementing Regulation (EU) 2017/1131 of the European Parliament and of the Council with regard to simple, transparent and standardised (STS) securitisations and asset-backed commercial papers (ABCPs), requirements for assets received as part of reverse repurchase agreements and credit quality assessment methodologies.

– Commission Implementing Regulation (EU) 2018/1078, of 30 July 2018, laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 June 2018 until 29 September 2018 in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance.

– Commission Implementing Regulation (EU) 2018/1105, of 8 August 2018, laying down implementing technical standards with regard to procedures and forms for the provision of information by competent authorities to ESMA under Regulation (EU) 2016/1011 of the European Parliament and of the Council.

– Commission Delegated Regulation (EU) 2018/1108, of 7 May 2018, supplementing Directive (EU) 2015/849 of the European Parliament and of the Council with regulatory technical standards on the criteria for the appointment of central contact points for electronic money issuers and payment service providers and with rules on their functions.

– Commission Implementing Regulation (EU) 2018/1212, of 3 September 2018, laying down minimum requirements implementing the provisions of Directive 2007/36/EC of the European Parliament and of the Council as regards shareholder identification, the transmission of information and the facilitation of the exercise of shareholders rights.

  This Implementing Regulation establishes the standardised formats, the manner, the minimum requirements and the language in which the following must be submitted or provided: i) the request to disclose information regarding shareholder identity and response, ii) the information to be transmitted with respect to the convening of general meetings and iii) the confirmation of the receipt and recording and counting of votes.

  It also makes reference to: i) the deadlines to be complied with by issuers and intermediaries in corporate events, which are defined as any action initiated by the issuer or third party which involves the exercise of the rights flowing from the shares and which may or may not affect the underlying share, such as the distribution of profits or a general meeting; ii) shareholder identification processes; and iii) the transmission of information specific to corporate events other than general meetings. With regard to these last points, the Implementing Regulation establishes that:

- All key information regarding the corporate event must be included.

- The issuer shall provide notification of the corporate event sufficiently early.

- Payments to the shareholders shall be processed as swiftly as possible.

The Annex to the Implementing Regulation contains eight tables detailing the formalities and requirements applicable to the information flows between the issuer, the intermediaries and the shareholders.

This Implementing Regulation (EU) 2018/1212 entered into force on 24 September.

– Commission Delegated Regulation (EU) 2018/1221, of 1 June 2018, amending Delegated Regulation (EU) 2015/35 as regards the calculation of regulatory capital requirements for securitisations and simple, transparent and standardised securitisations held by insurance and reinsurance undertakings.

– Commission Delegated Regulation (EU) 2018/1229, of 25 May 2018, supplementing Regulation (EU) No. 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline.

– Commission Delegated Regulation (EU) 2018/1291, of 16 May 2018, amending Delegated Regulation (EU) No. 1042/2014 supplementing Regulation (EU) No. 514/2014 of the European Parliament and of the Council with regard to the designation and management and control responsibilities of Responsible Authorities and with regard to the status and obligations of Audit Authorities.

– European Securities and Markets Authority Decision (EU) 2018/1466, of 21 September 2018, renewing and amending the temporary prohibition in Decision (EU) 2018/795 on the marketing, distribution or sale of binary options to retail clients.

Other

– Royal Decree-Law 5/2018, of 27 July, on urgent measures for adaptation of Spanish law to European Union legislation on data protection.

This Royal Decree-Law adapts Spanish law to Regulation (EU) 2016/679 of the European Parliament and of the Council, of 27 April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (hereinafter, GDPR) with regard to certain issues which, without requiring a constitutional law for their regulation, are indispensable for their correct application in Spain.

Its articles are divided into three titles. Title I regulates inspections in relation to data protection, Title II regulates the penalty system and Title III regulates the procedures in the event of any infringement of data protection legislation. Its additional, transitory, repealing and final provisions address issues such as publication of the resolutions of the Spanish Data Protection Agency, repeals of previous legislation and its period of validity.

The major aspects of this Royal Decree-Law are as follows:

- **Applicability of the penalty system:** the following are subject to the GDPR penalty system: i) controllers and processors, ii) representatives of controllers or processors not established in the territory of the European Union, iii) certification bodies and iv) accredited bodies for monitoring codes of conduct. The Data Protection Officer is expressly excluded from such responsibility.

- **Statute of limitations of the infringements**: a 3-year statute of limitation is established for the infringements contained in Articles 83.5 and 83.6 of the GDPR, and a 2-year statute of limitations is established for the infringements contained in Article 83.4.

- **Statute of limitation for the penalties**: the statute of limitations for the penalties is regulated according to their amount, establishing that: i) penalties for an amount equal to or less than 40,000 euros will have a 1-year statute of limitations, ii) penalties for an amount between 40,001 and 300,000 euros will have a 2-year statute of limitations and iii) penalties of over 300,000 euros will have a 3-year statute of limitations. In the three cases, these periods will run from the day following that on which the resolution imposing the penalty is enforceable or on which the deadline for appeals passes.

- **Penalty procedure**: the initiation and deadlines for resolution of the penalty procedure vary depending on the subject matter:

  i) In the event that the subject matter of the procedure refers to the rights of the data subjects established in Articles 15 to 22 of the GDPR, the procedure will be initiated by a decision for admission to processing from the Spanish Data Protection Agency, which will have a six-month period for resolution from the time that the complainant is notified of said decision. Once this period has elapsed, the data subject may deem their complaint to have been upheld.

  ii) In the event that the subject matter of the procedure is the determination of the existence of an infringement of the GDPR, the procedure will be initiated by a decision adopted at the initiative of the Spanish Data Protection Agency or as a result of a complaint that has been accepted for admission to processing by the supervisory authority.

  It is important to indicate that this Royal Decree-Law establishes that before deciding on the admission for processing of the complaint, the Spanish Data Protection Agency may submit the complaint to the Data

Protection Officer appointed by the controller or processor so that they may, as the case may be, respond within a period of one month. In the event that a Data Protection Officer has not been designated, the complaint may also be sent to the controller or processor.

Following its admission to processing, and prior to the initiation decision, the Spanish Data Protection Agency may open an investigation stage, with a maximum duration of twelve months from the date of the decision for admission to processing. Once the investigation has concluded, a decision will be issued to initiate the penalty procedure, which will establish the facts, the identity of the entity against which the procedure will be conducted, the infringement that may have been committed and its possible penalty. The maximum duration of this procedure will be nine months from the date of the decision to initiate.

Finally, the First Transitory Provision establishes that the procedures already initiated at the time of the entry into force of Royal Decree-Law 5/2018 will be governed by the previous legislation, unless it contains provisions there are more favourable to the data subject.

- **Data processor agreements:** the Second Transitory Provision establishes that the data processor agreements entered into in accordance with Article 12 of the Data Protection Act 15/1999, of 13 December, and prior to 25 May 2018 will remain in force until the expiry date indicated therein and, in the event that they were agreed on an indefinite basis, until 25 May 2022.

– Resolution of 31 July 2018, of the Office of the Chairperson of the National Securities Market Commission (CNMV), publishing the Resolution for the delegation of management to the Bank of Spain for performance of the support work in supervising the internal solvency templates of investment firms.

– Royal Decree-Law 11/2018, of 31 August, transposing directives on the protection of pension commitments with workers, the prevention of money laundering and the requirements for entry and residence of third-country nationals and amending the Common Administrative Procedure of the Public Administrations Act 39/2015, 1 October.

– Royal Decree 1112/2018, of 7 September, on accessibility of websites and applications for public sector mobile devices.

This Royal Decree aims to guarantee the requirements on the accessibility of websites and applications for mobile devices of public sector bodies and other bodies included in its scope. For the purposes of this Royal Decree, accessibility is understood to be the set of principles and techniques that must be respected when designing, building, maintaining and updating websites and applications for mobile devices in order to ensure equality and non-discrimination in access for users, particularly those with disabilities and the elderly.

This Royal Decree entered into force on the day following that of its publication in the *BOE* (Official Journal of Spain), with the following exceptions:

- For websites, the provisions of Articles 10.2(b), 12 and 13 shall apply one year after the entry into force of this Royal Decree, and two years after entry into force of websites that have already been published.

- All provisions relating to applications for mobile devices shall apply from 23 June 2021.

– Royal Decree-Law 12/2018, of 7 September, on the security of networks and information systems.

– CNMV Board Resolution, of 27 September 2018, on the delegation of powers.

IV Statistics annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

	2015	2016	2017	2017 III	IV	2018 I	II	III[2]
NO. OF ISSUERS								
Total	50	45	46	18	17	15	12	16
Capital increases	45	45	44	18	17	14	12	16
Primary offerings	0	3	3	1	1	0	0	0
Bonus issues	17	18	12	7	3	5	2	5
Of which, scrip dividend	12	12	9	5	2	5	2	5
Capital increases by conversion	6	8	5	1	3	1	4	1
For non-monetary consideration	3	3	8	2	2	2	0	3
With pre-emptive subscription rights	12	11	8	2	3	4	1	0
Without trading warrants	16	11	15	5	7	4	5	7
Secondary offerings	6	2	4	0	1	1	0	0
NO. OF ISSUES								
Total	111	81	89	19	25	22	14	16
Capital increases	99	79	82	19	24	21	14	16
Primary offerings	0	4	4	1	1	0	0	0
Bonus issues	28	25	16	7	3	5	2	5
Of which, scrip dividend	22	19	13	5	2	5	2	5
Capital increases by conversion	23	17	6	1	3	1	5	1
For non-monetary consideration	3	4	12	2	4	3	0	3
With pre-emptive subscription rights	15	11	8	2	3	4	1	0
Without trading warrants	30	18	36	6	10	8	6	7
Secondary offerings	12	2	7	0	1	1	0	0
CASH VALUE (million euro)								
Total	37,065.5	20,251.7	32,538.1	10,090.2	2,656.7	3,907.4	559.2	3,787.7
Capital increases	28,733.9	19,745.1	29,593.6	10,090.2	2,089.5	3,261.7	559.2	3,787.7
Primary offerings	0.0	807.6	956.2	68.8	100.0	0.0	0.0	0.0
Bonus issues	9,627.8	5,898.3	3,807.3	1,152.5	720.1	1,362.8	133.1	2,120.3
Of which, scrip dividend	9,627.8	5,898.3	3,807.3	1,152.5	720.1	1,362.8	133.1	2,120.3
Capital increases by conversion	1,868.7	2,343.9	1,648.8	1,499.7	125.5	1.6	223.9	153.3
For non-monetary consideration[3]	365.2	1,791.7	8,469.3	238.8	49.9	1,179.1	0.0	1,263.4
With pre-emptive subscription rights	7,932.6	6,513.3	7,831.4	7,102.9	531.6	574.7	63.0	0.0
Without trading warrants	8,939.7	2,390.2	6,880.5	27.6	562.4	143.5	139.2	250.7
Secondary offerings	8,331.6	506.6	2,944.5	0.0	567.3	645.7	0.0	0.0
NOMINAL VALUE (million euro)								
Total	4,253.4	4,206.1	3,165.1	1,176.7	269.4	1,104.8	119.4	311.8
Capital increases	3,153.3	4,189.8	2,662.8	1,176.7	264.1	823.0	119.4	311.8
Primary offerings	0.0	28.2	749.2	62.5	0.9	0.0	0.0	0.0
Bonus issues	946.6	877.8	324.3	109.8	57.4	132.6	1.5	170.8
Of which, scrip dividend	785.8	708.0	299.1	92.2	49.7	132.6	1.5	170.8
Capital increases by conversion	89.6	648.0	182.8	154.3	11.3	1.6	84.8	2.6
For non-monetary consideration	146.6	248.9	181.9	80.7	12.8	220.7	0.0	132.7
With pre-emptive subscription rights	1,190.7	1,403.0	882.0	759.6	56.3	448.6	17.5	0.0
Without trading warrants	779.8	983.9	342.6	9.9	125.4	19.5	15.6	5.6
Secondary offerings	1,100.2	16.3	502.3	0.0	5.4	281.7	0.0	0.0
***Pro memoria:* transactions MAB[4]**								
No. of issuers	16	15	13	3	3	1	3	3
No. of issues	18	21	15	3	4	3	3	4
Cash value (million euro)	177.8	219.7	129.9	17.3	26.2	13.2	95.7	52.3
Capital increases	177.8	219.7	129.9	17.3	26.2	13.2	95.7	52.3
Of which, primary offerings	21.6	9.7	17.1	0.0	3.0	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 Transactions registered at the CNMV. Does not include data from MAB, ETF or Latibex.
2 Available data: August 2018.
3 Capital increases for non-monetary consideration are valued at market prices.
4 Transactions not registered at the CNMV. Source: BME and CNMV.

Companies listed[1]

TABLE 1.2

	2015	2016	2017	2017 III	2017 IV	2018 I	2018 II	2018 III[2]
Total electronic market[3]	129	130	134	133	134	133	133	130
Of which, without Nuevo Mercado	129	130	134	133	134	133	133	130
Of which, Nuevo Mercado	0	0	0	0	0	0	0	0
Of which, foreign companies	7	7	7	7	7	7	7	8
Second Market	5	5	4	4	4	4	4	4
Madrid	2	2	1	1	1	1	1	1
Barcelona	3	3	3	3	3	3	3	3
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry	18	14	12	12	12	11	11	11
Madrid	8	5	4	4	4	4	4	4
Barcelona	10	8	6	6	6	6	6	6
Bilbao	6	5	4	4	4	3	3	3
Valencia	3	3	3	3	3	3	3	3
MAB[4]	3,429	3,336	2,965	3,040	2,965	2,910	2,879	2,863
Latibex	21	20	20	20	20	20	20	20

1 Data at the end of period.
2 Available data: August 2018.
3 Without ETFs (Exchange Traded Funds).
4 Alternative Stock Market.

Capitalisation[1]

TABLE 1.3

Million euro	2015	2016	2017	2017 III	2017 IV	2018 I	2018 II	2018 III[2]
Total electronic market[3]	766,335.7	779,123.8	877,867.6	892,280.4	877,867.6	853,412.1	869,858.7	834,452.4
Of which, without Nuevo Mercado	766,335.7	779,123.8	877,867.6	892,280.4	877,867.6	853,412.1	869,858.7	834,452.4
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies[4]	141,695.3	151,043.2	178,620.3	178,272.9	178,620.3	177,079.4	184,514.8	182,522.6
Ibex 35	477,521.1	484,059.2	534,250.1	551,761.2	534,250.1	511,770.8	494,267.2	483,085.6
Second Market	20.6	114.1	49.9	46.2	49.9	49.7	38.2	40.2
Madrid	20.6	72.0	8.7	8.7	8.7	8.7	2.2	4.2
Barcelona	0.0	42.1	41.2	37.6	41.2	41.0	36.0	36.0
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	1,040.3	1,291.6	1,288.5	1,367.5	1,288.5	1,429.0	1,565.6	1,534.9
Madrid	296.9	289.9	165.9	250.5	165.9	164.4	254.4	220.5
Barcelona	887.7	1,136.6	1,134.3	1,211.4	1,134.3	1,276.7	1,432.7	1,398.8
Bilbao	943.3	54.0	211.3	318.5	211.3	209.1	283.5	253.6
Valencia	150.0	349.2	54.0	52.0	54.0	56.4	53.5	54.1
MAB[5, 6]	37,258.5	38,580.8	43,804.8	41,228.1	43,804.8	41,411.4	40,960.3	43,104.2
Latibex	116,573.4	198,529.6	215,277.7	220,350.0	215,277.7	284,843.2	209,870.5	228,007.2

1 Data at the end of period.
2 Available data: August 2018.
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	2015	2016	2017	2017 III	2017 IV	2018 I	2018 II	2018 III[1]
Total electronic market[2]	938,396.7	635,797.8	640,293.7	126,429.1	155,638.9	109,024.1	190,087.9	82,288.5
Of which, without Nuevo Mercado	938,396.7	635,797.8	640,293.7	126,429.1	155,638.9	109,024.1	190,087.9	82,288.5
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies	12,417.7	6,018.0	6,908.0	1,318.6	1,143.0	866.4	805.6	630.5
Second Market	13.8	3.1	0.7	0.0	0.2	0.1	0.3	0.4
Madrid	13.7	2.7	0.5	0.0	0.1	0.0	0.1	0.4
Barcelona	0.1	0.4	0.3	0.0	0.1	0.1	0.1	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	246.1	7.4	8.1	0.5	2.2	0.9	3.1	1.0
Madrid	19.4	3.2	2.3	0.1	0.0	0.0	0.0	0.1
Barcelona	219.1	4.2	6.2	0.4	2.1	0.8	3.1	0.9
Bilbao	7.5	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Valencia	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB[3]	6,441.7	5,055.1	4,985.6	1,010.5	1,317.4	1,021.7	1,020.4	539.6
Latibex	258.7	156.4	130.8	12.3	16.1	36.2	33.2	17.5

1 Available data: August 2018.
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	2015	2016	2017	2017 III	2017 IV	2018 I	2018 II	2018 III[2]
Regular trading	903,397.2	619,351.6	619,108.6	122,853.6	149,360.4	105,863.5	172,034.7	79,585.2
Orders	475,210.0	346,980.8	335,917.3	73,585.3	80,628.0	64,677.9	75,366.9	46,988.5
Put-throughs	96,187.7	68,990.5	51,315.9	11,359.6	12,379.5	9,351.9	15,435.6	7,286.5
Block trades	331,999.5	203,380.2	231,875.3	37,908.8	56,353.0	31,833.7	81,232.2	25,310.2
Off-hours	3,137.9	1,996.2	2,373.8	411.2	961.1	273.7	746.6	120.9
Authorised trades	14,885.5	12,667.0	9,265.3	1,507.3	2,159.4	444.0	551.9	501.8
Art. 36.1 SML trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	4,360.1	788.4	389.9	146.6	2.3	843.2	15,368.8	1,474.8
Public offerings for sale	4,266.8	777.5	2,288.1	137.2	1,150.2	710.2	0.0	89.0
Declared trades	203.6	37.3	0.0	0.0	0.0	0.0	0.0	0.0
Options	5,964.2	5,408.3	4,462.2	930.4	1,499.9	525.0	921.3	185.9
Hedge transactions	2,181.4	1,833.8	2,405.7	442.7	505.6	364.4	464.6	331.0

1 Without ETFs (Exchange Traded Funds).
2 Available data: August 2018.

1.2 Fixed-income

Gross issues registered at the CNMV

TABLE 1.6

	2015	2016	2017	2017 III	IV	2018 I	II	III[1]
NO. OF ISSUERS								
Total	49	51	48	16	23	15	16	12
Mortgage covered bonds	13	13	9	6	4	3	4	1
Territorial covered bonds	3	3	1	0	0	0	0	0
Non-convertible bonds and debentures	16	16	16	6	9	9	7	6
Convertible bonds and debentures	1	0	0	0	0	0	0	0
Backed securities	16	20	21	2	12	3	4	1
Commercial paper	16	14	13	5	3	3	0	5
Of which, asset-backed	1	1	1	0	0	1	0	0
Of which, non-asset-backed	15	13	12	5	3	2	0	5
Other fixed-income issues	0	1	1	1	0	0	0	0
Preference shares	0	0	1	0	0	1	1	0
NO. OF ISSUES								
Total	415	399	378	69	103	89	68	44
Mortgage covered bonds	34	41	28	7	10	7	4	1
Territorial covered bonds	6	4	1	0	0	0	0	0
Non-convertible bonds and debentures	318	277	276	52	58	70	52	35
Convertible bonds and debentures	1	0	0	0	0	0	0	0
Backed securities	40	61	58	4	32	8	11	3
Commercial paper[2]	16	15	13	5	3	3	0	5
Of which, asset-backed	1	1	1	0	0	1	0	0
Of which, non-asset-backed	15	14	12	5	3	2	0	5
Other fixed-income issues	0	1	1	1	0	0	0	0
Preference shares	0	0	1	0	0	1	1	0
NOMINAL AMOUNT (million euro)								
Total	136,607.3	139,028.2	109,487.4	13,156.3	47,852.3	20,204.9	10,644.7	3,247.1
Mortgage covered bonds	31,375.0	31,642.5	29,823.7	5,175.0	13,348.7	5,125.0	1,700.0	350.0
Territorial covered bonds	10,400.0	7,250.0	350.0	0.0	0.0	0.0	0.0	0.0
Non-convertible bonds and debentures	39,099.9	40,170.4	30,006.2	1,125.4	12,632.0	4,983.4	1,176.6	580.9
Convertible bonds and debentures	53.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	28,369.6	35,504.9	29,415.4	2,968.8	16,327.6	5,430.7	3,534.0	428.0
Commercial paper[3]	27,309.6	22,960.4	17,911.2	2,906.1	5,543.9	3,415.8	3,884.1	1,888.2
Of which, asset-backed	2,420.0	1,880.0	1,800.0	0.0	800.0	0.0	240.0	0.0
Of which, non-asset-backed	24,889.6	21,080.4	16,111.2	2,906.1	4,743.9	3,415.8	3,644.1	1,888.2
Other fixed-income issues	0.0	1,500.0	981.0	981.0	0.0	0.0	0.0	0.0
Preference shares	0.0	0.0	1,000.0	0.0	0.0	1,250.0	350.0	0.0
Pro memoria:								
Subordinated issues	5,452.2	4,278.7	6,504.6	1,370.2	1,658.9	1,856.5	832.0	385.2
Underwritten issues	0.0	421.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: August 2018.
2 Shelf registrations.
3 The figures for commercial paper refer to the amount placed.

Issues admitted to trading on AIAF[1]

TABLE 1.7

Nominal amount in million euro	2015	2016	2017	2017 III	IV	2018 I	II	III[2]
Total	145,890.9	130,141.0	121,556.6	11,621.6	39,193.6	30,949.4	9,852.9	4,036.3
Commercial paper	27,455.3	22,770.6	18,388.9	2,923.6	5,982.5	3,201.6	3,934.0	2,129.7
Bonds and debentures	47,616.4	31,723.0	43,182.3	1,140.2	2,888.5	15,162.0	918.9	324.6
Mortgage covered bonds	31,375.0	31,392.5	30,000.0	3,675.0	14,775.0	5,125.0	1,700.0	350.0
Territorial covered bonds	10,400.0	7,250.0	350.0	0.0	0.0	0.0	0.0	0.0
Backed securities	29,044.2	35,504.9	28,635.4	3,882.8	15,547.6	6,210.7	2,950.0	1,232.0
Preference shares	0.0	0.0	1,000.0	0.0	0.0	1,250.0	350.0	0.0
Matador bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other fixed-income issues	0.0	1,500.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Only includes corporate bonds.
2 Available data: August 2018.

AIAF. Issuers, issues and outstanding balance

TABLE 1.8

	2015	2016	2017	2017 III	IV	2018 I	II	III[1]
NO. OF ISSUERS								
Total	388	375	362	354	362	370	362	364
Corporate bonds	387	374	342	355	342	343	330	364
Commercial paper	16	14	14	15	14	13	13	10
Bonds and debentures	64	52	48	50	48	48	46	46
Mortgage covered bonds	44	43	41	41	41	41	41	41
Territorial covered bonds	9	9	7	7	7	7	7	7
Backed securities	278	276	262	268	262	265	254	254
Preference shares	13	9	4	5	4	4	5	5
Matador bonds	7	6	6	6	6	6	5	5
Government bonds	1	1	20	1	20	27	32	33
Letras del Tesoro	1	1	1	1	1	1	1	1
Long government bonds	1	1	1	1	1	1	1	1
Regional government debt	–	–	11	–	11	14	14	14
Foreign public debt	–	–	–	–	–	3	8	9
Other public debt	–	–	7	–	7	8	8	8
NO. OF ISSUES								
Total	2,723	2,637	2,468	2,383	2,468	2,563	2,890	2,894
Corporate bonds	2,531	2,433	2,084	2,179	2,084	2,059	1,999	1,983
Commercial paper	392	351	179	210	179	137	122	113
Bonds and debentures	882	856	764	789	764	781	768	761
Mortgage covered bonds	238	231	218	221	218	215	213	210
Territorial covered bonds	32	29	24	24	24	24	22	22
Backed securities	966	948	889	924	889	891	863	866
Preference shares	16	12	4	5	4	5	6	6
Matador bonds	7	6	6	6	6	6	5	5
Government bonds	193	204	384	204	384	504	891	911
Letras del Tesoro	12	12	12	12	12	12	12	12
Long government bonds	181	192	226	192	226	230	228	225
Regional government debt	–	–	133	–	133	170	165	164
Foreign public debt	–	–	–	–	–	75	470	494
Other public debt	–	–	13	–	13	17	16	16
OUTSTANDING BALANCE[2] (million euro)								
Total	1,386,289.8	1,408,556.6	1,466,964.4	1,431,569.8	1,466,964.4	2,594,094.1	6,770,127.9	6,766,563.2
Corporate bonds	534,088.9	531,056.9	493,629.6	500,673.2	493,629.6	500,535.2	482,204.0	476,947.7
Commercial paper	15,172.9	16,637.4	11,978.9	13,047.8	11,978.9	10,685.2	8,851.8	9,021.3
Bonds and debentures	74,082.2	85,477.8	70,127.7	80,566.5	70,127.7	79,437.4	74,340.9	73,671.8
Mortgage covered bonds	194,072.7	180,677.5	181,308.7	178,686.7	181,308.7	180,317.9	177,490.8	176,391.1
Territorial covered bonds	27,586.3	29,387.3	23,862.3	23,862.3	23,862.3	23,862.3	22,062.3	20,062.3
Backed securities	222,100.4	217,992.1	204,570.0	202,713.9	204,570.0	203,200.4	196,148.4	194,491.4
Preference shares	627.4	497.8	1,395.0	1,409.0	1,395.0	2,645.0	2,995.0	2,995.0
Matador bonds	447.1	386.9	386.9	386.9	386.9	386.9	314.8	314.8
Government bonds	852,200.9	877,499.6	973,334.7	930,896.6	973,334.7	2,093,558.9	6,287,923.9	6,289,615.5
Letras del Tesoro	82,435.4	81,037.1	78,835.2	75,232.3	78,835.2	72,599.4	69,375.7	69,285.3
Long government bonds	769,765.5	796,462.5	864,059.7	855,664.3	864,059.7	890,343.3	901,887.3	902,331.5
Regional government debt	–	–	28,620.8	–	28,620.8	34,037.3	32,862.2	32,681.6
Foreign public debt	–	–	–	–	–	1,093,949.8	5,281,341.3	5,282,859.6
Other public debt	–	–	1,819.1	–	1,819.1	2,629.1	2,457.4	2,457.4

1 Available data: August 2018.
2 Nominal amount.

AIAF. Trading

TABLE 1.9

				2017		2018		
Nominal amount in million euro	2015	2016	2017	III	IV	I	II	III[1]
BY TYPE OF ASSET								
Total	521,853.7	169,658.2	68,422.0	9,223.0	225.4	18,345.4	30,179.4	9,722.5
Corporate bonds	521,590.4	169,534.0	68,297.4	9,196.4	189.3	197.0	122.4	39.6
Commercial paper	31,346.2	20,684.3	7,144.4	1,617.3	0.0	0.0	0.0	0.0
Bonds and debentures	78,120.5	27,795.6	15,839.5	2,088.4	189.3	194.7	116.7	39.4
Mortgage covered bonds	187,201.7	79,115.6	24,936.4	3,586.8	0.0	0.0	0.0	0.0
Territorial covered bonds	46,711.4	5,329.3	381.7	0.0	0.0	0.0	0.0	0.0
Backed securities	177,844.1	36,554.9	18,502.5	1,774.2	0.0	1.9	5.1	0.0
Preference shares	295.5	43.1	1,482.3	129.7	0.0	0.4	0.6	0.2
Matador bonds	71.1	11.1	10.7	0.0	0.0	0.0	0.0	0.0
Government bonds	263.3	124.2	124.6	26.6	36.1	18,148.4	30,057.1	9,682.8
Letras del Tesoro	30.2	8.5	4.2	0.1	0.1	146.7	3,472.1	2,424.5
Long government bonds	233.1	115.8	120.4	26.5	36.0	17,998.5	24,686.6	4,587.0
Regional government debt	–	–	0.0	–	0.0	3.1	0.1	0.0
Foreign public debt	–	–	–	–	–	0.0	1,898.3	2,671.3
Other public debt	–	–	0.0	–	0.0	0.0	0.0	0.0
BY TYPE OF TRANSACTION								
Total	521,853.7	169,658.3	68,422.0	9,223.0	225.4	18,345.4	30,179.4	9,722.5
Outright	239,086.8	127,643.7	57,723.9	6,991.5	225.4	18,345.4	30,179.4	9,722.5
Repos	7,144.5	4,143.7	671.6	46.1	0.0	0.0	0.0	0.0
Sell-buybacks/Buy-sellbacks	267,875.7	37,870.9	10,026.5	2,185.5	0.0	0.0	0.0	0.0

1 Available data: August 2018.

AIAF. Third-party trading. By purchaser sector

TABLE 1.10

				2017		2018		
Nominal amount in million euro	2015	2016	2017	III	IV	I	II	III[1]
Total	193,694.8	117,373.0	49,230.2	6,123.9	222.2	17,891.9	30,171.0	9,719.2
Non-financial companies	22,747.1	7,119.3	1,492.6	351.4	0.0	0.0	0.0	0.0
Financial institutions	95,467.1	63,048.2	23,402.5	3,298.6	222.2	17,891.9	30,171.0	9,719.2
Credit institutions	74,196.0	46,583.9	15,363.2	1,967.1	185.6	181.7	106.6	31.5
CIS, insurance and pension funds	8,835.4	8,525.2	4,337.8	653.1	0.0	0.0	0.0	0.0
Other financial institutions	12,435.7	7,939.1	3,701.5	678.3	36.6	17,710.2	30,064.4	9,687.7
General government	10,414.4	4,969.7	3,196.3	302.1	0.0	0.0	0.0	0.0
Households and NPISHs[2]	1,575.2	1,076.0	256.6	18.5	0.0	0.0	0.0	0.0
Rest of the world	63,491.1	41,159.9	20,882.3	2,153.3	0.0	0.0	0.0	0.0

1 Available data: August 2018.
2 Non-profit institutions serving households.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.11

				2017		2018		
	2015	2016	2017	III	IV	I	II	III[1]
NO. OF ISSUERS								
Total	20	17	15	17	15	15	14	15
Private issuers	10	7	7	7	7	7	6	7
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	10	7	7	7	7	7	6	7
General government[2]	10	10	8	10	8	8	8	8
Regional governments	2	2	2	2	2	2	2	2
NO. OF ISSUES								
Total	103	75	64	68	64	65	57	56
Private issuers	43	26	24	24	24	24	19	19
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	43	26	24	24	24	24	19	19
General government[2]	60	49	40	44	40	41	38	37
Regional governments	25	23	22	23	22	22	19	18
OUTSTANDING BALANCES[3] (million euro)								
Total	11,702.2	10,203.4	9,718.0	9,983.6	9,718.0	9,689.9	7,666.4	7,461.3
Private issuers	1,383.3	899.4	760.6	796.4	760.6	735.8	640.1	618.3
Non-financial companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	1,383.3	899.4	760.6	796.4	760.6	735.8	640.1	618.3
General government[2]	10,319.0	9,304.0	8,957.4	9,187.2	8,957.4	8,954.0	7,026.2	6,843.1
Regional governments	9,320.2	8,347.6	8,193.1	8,333.1	8,193.1	8,193.1	6,274.1	6,089.7

1 Available data: August 2018.
2 Without public book-entry debt.
3 Nominal amount.

SENAF. Public debt trading by type

TABLE 1.12

				2017		2018		
Nominal amounts in million euro	2015	2016	2017	III	IV	I	II	III[1]
Total	129,366.0	165,472.0	131,475.0	22,979.0	30,939.0	30,800.0	20,094.0	12,275.0
Outright	129,366.0	165,472.0	131,475.0	22,979.0	30,939.0	30,800.0	20,094.0	12,275.0
Sell-buybacks/Buy-sellbacks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: August 2018.

1.3 Derivatives and other products

1.3.1 Financial derivatives markets: MEFF

Trading on MEFF TABLE 1.13

				2017		2018		
Number of contracts	2015	2016	2017	III	IV	I	II	III[1]
Debt products	8,012	360	0	0	0	0	0	0
Debt futures[2]	8,012	360	0	0	0	0	0	0
Ibex 35 products[3, 4]	8,279,939	7,468,299	8,033,835	1,884,123	2,512,513	2,256,759	2,080,529	1,198,895
Ibex 35 plus futures	7,384,896	6,836,500	6,268,290	1,441,668	1,826,553	1,704,051	1,595,835	940,241
Ibex 35 mini futures	318,129	249,897	1,284,050	348,633	488,715	427,489	395,437	210,035
Ibex 35 dividend impact futures	32,499	58,044	43,372	6,963	14,297	15,588	13,247	2,518
Ibex 35 sector futures	–	1,619	7,753	1,530	3,628	859	706	480
Call mini options	325,479	169,871	206,843	41,606	87,265	52,005	34,722	22,185
Put mini options	218,937	152,368	223,527	43,724	92,055	56,767	40,582	23,436
Stock products[5]	31,768,355	32,736,458	32,335,004	7,331,026	8,100,205	8,306,888	8,383,047	2,845,903
Futures	10,054,830	9,467,294	11,671,215	2,695,822	2,524,881	2,864,619	3,138,663	239,674
Stock dividend futures	291,688	367,785	346,555	49,689	153,116	142,701	142,742	0
Stock plus dividend futures	1,152	760	880	0	440	0	0	0
Call options	8,572,088	11,239,662	8,848,643	1,849,335	1,986,565	2,156,518	2,047,308	1,179,022
Put options	12,848,597	11,660,957	11,467,711	2,736,180	3,435,203	3,143,050	3,054,334	1,427,207

1 Available data: August 2018.
2 Contract size: 100,000 euros.
3 The number of Ibex 35 mini futures (multiples of 1 euro) was standardised to the size of the Ibex 35 plus futures (multiples of 10 euro).
4 Contract size: Ibex 35 * 10 euros.
5 Contract size: 100 stocks.

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

Issues registered at the CNMV TABLE 1.14

				2017		2018		
	2015	2016	2017	III	IV	I	II	III[1]
WARRANTS								
Premium amount (million euro)	3,479.1	2,688.6	2,433.6	1,304.0	336.4	819.7	630.8	5.7
On stocks	1,807.3	1,438.2	939.5	328.3	137.2	668.4	521.2	5.5
On indexes	1,486.1	1,153.1	1,443.0	959.0	194.6	18.3	4.5	0.3
Other underlyings[2]	185.6	97.2	51.1	16.7	4.5	133.0	105.1	0.0
Number of issues	9,059	7,809	5,730	2,312	791	1,800	1,521	80
Number of issuers	8	5	6	5	4	5	5	1
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	5.0	650.0	1,964.5	450.0	601.0	302.0	401.0	250.0
On stocks	5.0	650.0	1,950.0	450.0	600.0	201.0	400.0	100.0
On indexes	0.0	0.0	14.5	0.0	1.0	101.0	1.0	0.0
Other underlyings[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of issues	1	4	15	3	4	5	3	2
Number of issuers	1	1	2	1	2	2	2	1

1 Available data: August 2018.
2 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.

Equity markets. Warrants and ETF trading

TABLE 1.15

				2017		2018		
	2015	2016	2017	III	IV	I	II	III[1]
WARRANTS								
Trading (million euro)	1,095.9	715.5	462.6	96.0	123.2	103.2	93.1	54.9
On Spanish stocks	303.6	248.4	156.8	28.5	30.1	17.2	25.5	13.4
On foreign stocks	66.7	32.6	29.9	5.0	9.7	7.0	7.3	5.6
On indexes	692.0	420.4	266.0	59.5	80.7	77.8	59.1	35.5
Other underlyings[2]	33.6	14.2	9.9	3.0	2.7	1.2	1.2	0.3
Number of issues[3]	7,530	6,296	5,084	951	974	1,059	1,109	807
Number of issuers[3]	9	8	7	7	7	7	7	7
CERTIFICATES								
Trading (million euro)	1.1	0.4	0.3	0.0	0.3	0.0	0.2	0.0
Number of issues[3]	2	2	2	0	1	2	2	2
Number of issuers[3]	1	1	1	0	1	1	1	1
ETFs								
Trading (million euro)	12,633.8	6,045.2	4,464.1	699.3	1,472.8	759.9	957.3	333.6
Number of funds	58	33	8	9	8	8	6	6
Assets[4] (million euro)	436.1	349.3	359.3	367.1	359.3	340.1	334.1	345.5

1 Available data: August 2018.
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 Only assets from national collective investment schemes are included because assets from foreign schemes are not available.

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

	2015	2016	2017	2017		2018		
				III	IV	I	II	III[1]
BROKER-DEALERS								
Spanish firms	39	40	41	41	41	40	40	40
Branches	25	27	24	28	24	26	26	20
Agents	5,819	5,761	5,747	5,763	5,747	2,134	2,185	2,180
BROKERS								
Spanish firms	39	41	48	48	48	50	52	53
Branches	21	22	23	22	23	23	24	25
Agents	468	492	461	469	461	393	430	442
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	3	2	1	1	1	1	1	1
Branches	9	8	0	0	0	0	0	0
Agents	0	0	0	0	0	0	0	0
FINANCIAL ADVISORY FIRMS								
Spanish firms	154	160	171	168	171	168	165	164
Branches	13	16	21	20	21	23	23	23
CREDIT INSTITUTIONS[2]								
Spanish firms	134	126	122	124	122	120	120	120

1 Available data: August 2018.
2 Source: Banco de España.

Investment services. Foreign firms

TABLE 2.2

	2015	2016	2017	2017		2018		
				III	IV	I	II	III[1]
Total	3,176	3,310	3,356	3,366	3,356	3,403	3,436	3,443
Investment services firms	2,716	2,843	2,889	2,900	2,889	2,929	2,961	2,973
From EU member states	2,713	2,840	2,886	2,897	2,886	2,926	2,958	2,970
Branches	42	46	53	51	53	54	56	58
Free provision of services	2,671	2,794	2,833	2,846	2,833	2,872	2,902	2,912
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]	460	467	467	466	467	474	475	470
From EU member states	451	460	461	460	461	468	470	465
Branches	53	55	52	55	52	54	54	53
Free provision of services	398	405	409	405	409	414	416	412
Subsidiaries of free provision of services institutions	0	0	0	0	0	0	0	0
From non-EU states	9	7	6	6	6	6	5	5
Branches	6	5	4	4	4	4	3	3
Free provision of services	3	2	2	2	2	2	2	2

1 Available data: August 2018.
2 Source: Banco de España and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

Million euro	2015	2016	2017	2017 II	2017 III	2017 IV	2018 I	2018 II
FIXED-INCOME								
Total	5,365,817.5	4,625,411.6	3,727,687.0	921,329.6	830,152.5	840,921.2	865,998.4	888,233.8
Broker-dealers	3,774,816.4	3,171,599.2	2,347,959.0	559,969.9	470,314.6	588,965.3	604,086.9	629,121.5
Spanish organised markets	1,909,130.4	1,350,483.4	836,831.1	208,103.1	149,376.2	173,689.7	196,847.5	230,333.3
Other Spanish markets	1,689,702.4	1,570,540.0	1,255,087.2	292,400.3	273,027.3	349,221.0	336,165.9	338,333.8
Foreign markets	175,983.6	250,575.8	256,040.7	59,466.5	47,911.1	66,054.6	71,073.5	60,454.4
Brokers	1,591,001.1	1,453,812.4	1,379,728.0	361,359.7	359,837.9	251,955.9	261,911.5	259,112.3
Spanish organised markets	14,160.0	25,247.8	6,067.6	2,114.7	1,317.3	1,024.2	1,667.7	1,231.9
Other Spanish markets	1,402,106.3	1,222,925.7	1,175,387.4	306,549.5	317,566.3	208,188.7	206,815.7	206,672.4
Foreign markets	174,734.8	205,638.9	198,273.0	52,695.5	40,954.3	42,743.0	53,428.1	51,208.0
EQUITY								
Total	1,020,289.5	798,564.7	804,328.3	220,664.0	187,021.8	216,783.5	161,477.8	213,323.2
Broker-dealers	914,649.2	636,727.0	660,312.8	191,970.1	143,388.5	158,155.7	149,934.8	204,926.8
Spanish organised markets	855,883.2	583,283.9	610,682.8	178,408.9	133,659.1	145,357.3	135,402.8	173,871.0
Other Spanish markets	3,327.8	2,313.1	3,178.2	1,317.1	458.3	647.5	201.1	290.6
Foreign markets	55,438.2	51,130.0	46,451.8	12,244.1	9,271.1	12,150.9	14,330.9	30,765.2
Brokers	105,640.3	161,837.7	144,015.5	28,693.9	43,633.3	58,627.8	11,543.0	8,396.4
Spanish organised markets	14,207.3	11,090.1	7,037.7	1,782.9	1,325.8	2,313.8	1,871.9	1,625.2
Other Spanish markets	13,769.0	8,902.9	12,052.0	2,710.8	3,424.4	4,831.0	463.0	319.2
Foreign markets	77,664.0	141,844.7	124,925.8	24,200.2	38,883.1	51,483.0	9,208.1	6,452.0

1 Period accumulated data. Quarterly.

Intermediation of derivative transactions[1, 2]

TABLE 2.4

Million euro	2015	2016	2017	2017 II	2017 III	2017 IV	2018 I	2018 II
Total	12,104,474.3	10,985,305.6	10,708,583.9	2,598,171.3	2,301,768.2	3,145,938.1	2,812,720.9	2,659,541.6
Broker-dealers	11,958,716.2	10,698,379.2	10,528,524.3	2,553,651.3	2,264,865.2	3,092,685.7	2,750,608.8	2,595,678.8
Spanish organised markets	6,215,223.3	4,842,990.7	5,330,761.9	1,262,127.4	1,198,702.1	1,755,443.2	1,399,069.6	1,384,442.9
Foreign organised markets	5,386,722.4	5,204,785.7	4,676,156.7	1,192,378.6	963,880.9	1,161,762.4	1,178,164.9	1,036,058.2
Non-organised markets	356,770.5	650,602.8	521,605.7	99,145.3	102,282.2	175,480.1	173,374.3	175,177.7
Brokers	145,758.1	286,926.4	180,059.6	44,520.0	36,903.0	53,252.4	62,112.1	63,862.8
Spanish organised markets	7,510.9	20,935.4	17,171.0	3,595.4	2,203.1	7,512.7	4,748.4	9,147.5
Foreign organised markets	27,846.8	59,427.1	48,043.8	8,813.9	10,086.7	19,445.7	30,026.3	27,491.9
Non-organised markets	110,400.4	206,563.9	114,844.8	32,110.7	24,613.2	26,294.0	27,337.4	27,223.4

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 of accumulated data. Quarterly.

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

TABLE 2.5

	2015	2016	2017	2017 II	2017 III	2017 IV	2018 I	2018 II
NUMBER OF PORTFOLIOS								
Total[2]	13,713	15,818	12,601	13,340	13,300	12,601	13,321	13,968
Broker-dealers. Total	5,711	5,743	3,769	5,356	5,261	3,769	3,862	3,903
CIS[3]	60	34	18	20	17	18	22	28
Other[4]	5,651	5,709	3,751	5,336	5,244	3,751	3,840	3,875
Brokers. Total	5,681	6,512	8,831	7,984	8,039	8,831	9,459	10,065
CIS[3]	95	90	89	84	90	89	90	93
Other[4]	5,586	6,422	8,742	7,900	7,949	8,742	9,369	9,972
Portfolio management companies.[2] Total	2,321	3,563	1	–	–	1	–	–
CIS[3]	1	1	1	–	–	1	–	–
Other[4]	2,320	3,562	0	–	–	0	–	–
ASSETS UNDER MANAGEMENT (thousand euro)								
Total[2]	9,201,678	13,298,318	36,923,861	38,275,173	37,889,931	36,923,861	5,589,254	6,029,150
Broker-dealers. Total	5,406,804	5,534,052	33,958,038	35,491,677	35,042,579	33,958,038	2,597,455	2,793,817
CIS[3]	1,546,293	890,371	344,474	854,357	346,820	344,474	486,772	641,621
Other[4]	3,860,511	4,643,682	33,613,564	34,637,320	34,695,759	33,613,564	2,110,683	2,152,195
Brokers. Total	2,565,132	2,557,207	2,949,741	2,783,496	2,847,352	2,949,741	2,991,799	3,235,333
CIS[3]	1,448,260	1,352,653	1,595,851	1,473,602	1,538,808	1,595,851	1,676,348	1,728,140
Other[4]	1,116,872	1,204,553	1,353,890	1,309,894	1,308,544	1,353,890	1,315,451	1,507,193
Portfolio management companies.[2] Total	1,229,742	5,207,059	16,082	–	–	16,082	–	–
CIS[3]	15,729	15,916	16,082	–	–	16,082	–	–
Other[4]	1,214,013	5,191,143	0	–	–	0	–	–

1 Data at the end of period. Quarterly. Revised data from second quarter 2017.
2 Only public information about portfolio management companies at year end is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods only broker-dealers and brokers data are shown.
3 Includes both resident and non-resident CIS management.
4 Includes the rest of clients, both covered and not covered by the Investment Guarantee Fund, an investor compensation scheme regulated by Royal Decree 948/2001.

Financial advice. Number of contracts[1, 2]

TABLE 2.6

	2015	2016	2017	2017 II	2017 III	2017 IV	2018 I	2018 II
NUMBER OF CONTRACTS								
Total ESI (excluding EAFI)[3]	17,627	21,341	20,170	21,768	21,885	20,170	21,471	2,721
Broker-dealers. Total[4]	4,241	4,678	5,125	4,872	4,972	5,125	5,269	5,523
Retail clients	4,217	4,669	5,108	4,859	4,958	5,108	5,251	5,497
Professional clients	11	3	6	6	6	6	9	17
Brokers. Total[4]	11,456	14,358	15,045	16,896	16,913	15,045	16,202	17,198
Retail clients	11,247	14,170	14,881	16,714	16,735	14,881	16,030	17,016
Professional clients	176	154	132	145	141	132	125	134
Portfolio management companies.[3] Total[4]	1,930	2,305	0	–	–	0	–	–
Retail clients	1,928	2,303	0	–	–	0	–	–
Professional clients	2	2	0	–	–	0	–	–
***Pro memoria:* commission received for financial advice**[5] (thousand euro)								
Total ESI (excluding EAFI)[3]	10,937	11,515	17,123	6,153	9,732	17,123	3,191	6,625
Broker-dealers	2,930	2,547	5,551	1,670	2,586	5,551	1,099	2,352
Brokers	7,636	8,614	11,572	4,483	7,146	11,572	2,092	4,273
Portfolio management companies[3]	371	354	0	–	–	0	–	–

1 Data at the end of period. Quarterly.
2 Quarterly data on assets advised are not available since the entry into force of CNMV Circular 3/2014, of 22 October.
3 Only public information about portfolio management companies at year end is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods only broker-dealers and brokers data are shown.
4 Includes retail, professional and other clients.
5 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.

Aggregated income statement. Broker-dealers

TABLE 2.7

				2017		2018		
Thousand euro[1]	2015	2016	2017	III	IV	I	II	III[2]
I. Interest income	55,570	53,930	58,545	51,951	58,545	8,665	46,031	46,818
II. Net commission	422,542	373,552	400,884	308,230	400,884	77,836	151,557	178,287
Commission revenues	614,705	538,586	547,776	419,488	547,776	109,553	213,150	249,362
Brokering	322,857	245,700	217,667	167,589	217,667	48,289	92,739	103,948
Placement and underwriting	11,556	5,955	17,553	14,317	17,553	1,015	2,029	7,391
Securities deposit and recording	24,358	47,843	38,175	28,094	38,175	10,720	21,937	24,424
Portfolio management	22,541	23,738	50,467	40,595	50,467	3,930	7,765	9,121
Design and advice	13,575	14,648	16,402	9,915	16,402	3,370	7,716	9,047
Search and placement of stocks	1,497	2,155	1,500	1,255	1,500	10	211	270
Market credit transactions	0	0	0	0	0	0	0	0
CIS marketing	73,889	75,505	81,225	60,857	81,225	14,588	28,185	33,059
Other	144,432	123,042	124,789	96,866	124,789	27,632	52,569	62,101
Commission expenses	192,163	165,034	146,892	111,258	146,892	31,717	61,593	71,075
III. Financial investment income	215,861	104,292	40,996	29,923	40,996	9,171	14,705	17,599
IV. Net exchange differences and other operating products and expenses	-128,200	-1,177	28,450	21,179	28,450	5,623	13,909	15,563
V. Gross income	565,773	530,597	528,875	411,283	528,875	101,295	226,202	258,267
VI. Operating income	186,771	169,499	180,204	147,541	180,204	21,794	63,023	67,360
VII. Earnings from continuous activities	141,291	140,521	156,379	129,661	156,379	20,154	60,686	65,142
VIII. Net earnings of the period	141,291	140,521	155,972	129,661	155,972	20,154	60,686	65,142

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.
2 Available data: July 2018.

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousand euro[1]	2015	2016	2017	2017 II	2017 III	2017 IV	2018 I	2018 II
TOTAL								
Total	137,327	152,893	128,817	81,930	99,011	128,817	23,651	74,956
Money market assets and public debt	9,327	8,332	3,909	1,973	2,837	3,909	1,368	4,042
Other fixed-income securities	24,795	35,415	31,391	17,792	25,586	31,391	7,010	9,231
Domestic portfolio	8,990	19,863	17,963	11,298	15,172	17,963	3,502	2,371
Foreign portfolio	15,805	15,552	13,428	6,494	10,414	13,428	3,508	6,860
Equities	112,943	135,587	53,704	27,445	38,048	53,704	3,229	2,502
Domestic portfolio	18,141	14,010	11,530	7,094	9,203	11,530	3,820	6,500
Foreign portfolio	94,802	121,577	42,174	20,351	28,845	42,174	-591	-3,998
Derivatives	109,668	-52,325	-40,286	-23,118	-30,322	-40,286	14	-159
Repurchase agreements	-248	-471	-307	-256	-292	-307	0	-20
Market credit transactions	0	0	0	7	0	0	0	0
Deposits and other transactions with financial intermediaries	1,605	-1,030	84	417	399	84	599	1,223
Net exchange differences	-142,545	-29,730	4,290	4,109	3,982	4,290	-642	1,707
Other operating products and expenses	14,344	28,555	24,160	11,660	17,197	24,160	6,265	12,202
Other transactions	7,438	28,560	51,872	41,901	41,576	51,872	5,808	44,228
INTEREST INCOME								
Total	55,570	53,930	58,544	49,529	51,952	58,544	8,664	46,032
Money market assets and public debt	2,156	1,708	1,576	756	1,168	1,576	782	1,019
Other fixed-income securities	2,731	1,742	1,285	664	965	1,285	293	655
Domestic portfolio	1,534	809	415	265	352	415	27	51
Foreign portfolio	1,197	933	870	399	613	870	266	604
Equities	43,826	24,619	6,201	3,299	5,032	6,201	108	1,777
Domestic portfolio	3,622	3,298	3,041	1,409	2,047	3,041	44	1,291
Foreign portfolio	40,204	21,321	3,160	1,890	2,985	3,160	64	486
Repurchase agreements	-248	-471	-307	-256	-292	-307	0	-20
Market credit transactions	0	0	0	7	0	0	0	0
Deposits and other transactions with financial intermediaries	1,605	-1,030	84	417	399	84	599	1,223
Other transactions	5,500	27,362	49,705	44,642	44,680	49,705	6,882	41,378
FINANCIAL INVEST INCOME								
Total	215,861	104,291	40,995	20,152	29,922	40,995	9,171	14,703
Money market assets and public debt	7,171	6,624	2,333	1,217	1,669	2,333	586	3,023
Other fixed-income securities	22,064	33,673	30,106	17,128	24,621	30,106	6,717	8,576
Domestic portfolio	7,456	19,054	17,548	11,033	14,820	17,548	3,475	2,320
Foreign portfolio	14,608	14,619	12,558	6,095	9,801	12,558	3,242	6,256
Equities	69,117	110,968	47,503	24,146	33,016	47,503	3,121	725
Domestic portfolio	14,519	10,712	8,489	5,685	7,156	8,489	3,776	5,209
Foreign portfolio	54,598	100,256	39,014	18,461	25,860	39,014	-655	-4,484
Derivatives	109,668	-52,325	-40,286	-23,118	-30,322	-40,286	14	-159
Other transactions	7,841	5,351	1,339	779	938	1,339	-1,267	2,538
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	-134,104	-5,328	29,278	12,249	17,137	29,278	5,816	14,221
Net exchange differences	-142,545	-29,730	4,290	4,109	3,982	4,290	-642	1,707
Other operating products and expenses	14,344	28,555	24,160	11,660	17,197	24,160	6,265	12,202
Other transactions	-5,903	-4,153	828	-3,520	-4,042	828	193	312

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

Aggregated income statement. Brokers

TABLE 2.9

Thousand euro[1]	2015	2016	2017	2017 III	2017 IV	2018 I	2018 II	2018 III[2]
I. Interest income	884	903	3,127	994	3,127	83	1,076	1,117
II. Net commission	113,904	108,111	120,194	82,015	120,194	26,593	57,371	67,071
Commission revenues	135,320	129,682	142,323	98,340	142,323	31,445	67,210	78,574
Brokering	31,845	24,181	20,459	15,003	20,459	5,187	10,415	11,747
Placement and underwriting	3,829	3,193	3,427	1,903	3,427	333	849	949
Securities deposit and recording	521	603	924	633	924	185	424	500
Portfolio management	10,711	11,054	12,492	8,890	12,492	3,257	6,803	8,081
Design and advising	7,856	8,980	11,935	7,401	11,935	2,179	4,461	5,152
Search and placement of stocks	216	40	0	0	0	0	0	0
Market credit transactions	0	0	0	0	0	0	0	0
CIS marketing	53,169	50,504	59,398	40,658	59,398	14,144	30,795	36,354
Other	27,173	31,128	33,689	23,852	33,689	6,159	13,462	15,793
Commission expenses	21,416	21,571	22,129	16,325	22,129	4,852	9,839	11,503
III. Financial investment income	592	245	1,139	228	1,139	-68	-86	102
IV. Net exchange differences and other operating products and expenses	1,197	-1,030	-1,706	-1,570	-1,706	-430	-775	-840
V. Gross income	116,577	108,229	122,754	81,667	122,754	26,178	57,586	67,450
VI. Operating income	22,148	10,140	16,929	8,951	16,929	1,066	5,380	5,983
VII. Earnings from continuous activities	17,266	6,982	11,890	7,448	11,890	860	4,808	5,246
VIII. Net earnings of the period	17,266	6,982	11,890	7,448	11,890	860	4,808	5,246

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed throughout the year.
2 Available data: July 2018.

Aggregated income statement. Portfolio management companies[1]

TABLE 2.10

Thousand euro[2]	2013	2014	2015	2016	2017
I. Interest income	667	574	399	83	23
II. Net commission	9,362	11,104	8,526	6,617	1,543
Commission revenues	18,603	15,411	13,064	6,617	1,543
Portfolio management	17,028	13,572	11,150	4,228	1,095
Design and advising	1,575	849	371	354	59
Other	0	990	1,544	2,035	390
Commission expenses	9,241	4,307	4,538	0	0
III. Financial investment income	9	-6	-28	-1	6
IV. Net exchange differences and other operating products and expenses	-32	-237	-234	-126	-52
V. Gross income	10,006	11,435	8,663	6,573	1,520
VI. Operating income	3,554	5,860	3,331	3,172	623
VII. Earnings from continuous activities	2,472	4,135	2,335	2,222	439
VIII. Net earnings of the period	2,472	4,135	2,335	2,222	439

1 Only public information about portfolio management companies at year end is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to guarantee this.
2 Accumulated data from the beginning of the year. It includes companies removed throughout the year.

Capital adequacy and capital ratio[1]

TABLE 2.11

	2015	2016	2017	2017 II	2017 III	2017 IV	2018 I	2018 II
TOTAL[2]								
Total capital ratio[3]	43.14	44.13	33.40	37.42	35.42	33.40	35.96	35.24
Own funds surplus (thousand euro)	1,090,823	965,833	803,793	1,023,378	971,016	803,793	868,636	836,725
Surplus (%)[4]	439.29	451.60	317.54	367.77	342.77	317.54	349.54	340.49
Number of companies according to surplus percentage								
≤ 100%	16	15	18	15	19	18	23	18
> 100-≤ 300%	22	25	23	26	22	23	21	20
> 300-≤ 500%	12	13	14	15	15	14	14	18
> 500%	22	18	18	16	17	18	16	19
BROKER-DEALERS								
Total capital ratio[3]	44.81	45.97	34.28	38.49	36.36	34.28	37.39	36.68
Own funds surplus (thousand euro)	1,037,623	912,248	755,143	973,923	921,512	755,143	826,890	789,584
Surplus (%)[4]	44.81	474.60	328.55	381.14	354.45	328.55	367.34	356.11
Number of companies according to surplus percentage								
≤ 100%	6	8	8	6	7	8	10	7
> 100-≤ 300%	11	11	10	12	12	10	8	8
> 300-≤ 500%	7	9	8	9	8	8	7	9
> 500%	14	12	13	13	13	13	14	15
BROKERS								
Total capital ratio[3]	25.14	26.35	24.69	25.40	25.00	24.69	22.27	23.70
Own funds surplus (thousand euro)	47,196	47,620	48,452	49,455	49,504	48,452	41,746	47,141
Surplus (%)[4]	25.14	229.33	208.66	217.53	212.44	208.66	178.35	196.28
Number of companies according to surplus percentage								
≤ 100%	10	7	10	9	12	10	13	11
> 100-≤ 300%	10	13	12	14	10	12	13	12
> 300-≤ 500%	5	4	6	6	7	6	7	9
> 500%	5	5	5	3	4	5	2	4
PORTFOLIO MANAGEMENT COMPANIES[2]								
Total capital ratio[3]	71.26	61.64	30.70	–	–	30.70	–	–
Own funds surplus (thousand euro)	6,004	5,965	198	–	–	198	–	–
Surplus (%)[4]	791.04	670.22	282.86	–	–	282.86	–	–
Number of companies according to surplus percentage								
≤ 100%	0	0	0	–	–	0	–	–
> 100-≤ 300%	1	1	1	–	–	1	–	–
> 300-≤ 500%	0	0	0	–	–	0	–	–
> 500%	3	1	0	–	–	0	–	–

1 On 1 January 2014 Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms, came into force, which has changed the own funds requirements calculation. Since January 2014 only the entities subject to reporting requirements are included, according to CNMV Circular 2/2014, of 23June, on the exercise of various regulatory options regarding solvency requirements for investment firms and their consolidated groups.

2 Only public information about portfolio management companies is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods only broker-dealers and brokers data are shown.

3 Total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount. This ratio should not be under 8%, pursuant to the provisions of Regulation (EU) No. 575/2013.

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

Return on equity (ROE) before taxes[1]

TABLE 2.12

	2015	2016	2017	2017 II	III	IV	2018 I	II
TOTAL[2]								
Average (%)[3]	15.34	15.97	18.35	16.40	16.18	18.35	7.47	11.77
Number of companies according to annualised return								
Losses	21	20	22	25	22	22	36	32
0-≤ 15%	23	31	28	22	32	28	19	22
> 15-≤ 45%	22	17	22	25	19	22	21	18
> 45-≤ 75%	5	6	4	7	9	4	5	5
> 75%	9	9	13	8	7	13	9	15
BROKER-DEALERS								
Average (%)[3]	14.85	16.16	18.48	16.62	16.50	18.48	7.70	11.72
Number of companies according to annualised return								
Losses	9	8	8	10	9	8	14	14
0-≤ 15%	14	20	17	12	17	17	13	12
> 15-≤ 45%	10	6	11	11	10	11	10	10
> 45-≤ 75%	4	2	1	5	3	1	3	2
> 75%	2	4	3	2	2	3	0	2
BROKERS								
Average (%)[3]	21.52	11.53	16.92	13.57	12.13	16.92	4.94	12.32
Number of companies according to annualised return								
Losses	12	12	14	15	13	14	22	18
0-≤ 15%	8	10	11	10	15	11	6	10
> 15-≤ 45%	11	11	10	14	9	10	11	8
> 45-≤ 75%	1	3	3	2	6	3	2	3
> 75%	7	5	10	6	5	10	9	13
PORTFOLIO MANAGEMENT COMPANIES[2]								
Average (%)[3]	24.49	46.29	20.65	–	–	20.65	–	–
Number of companies according to annualised return								
Losses	0	0	0	–	–	0	–	–
0-≤ 15%	1	1	0	–	–	0	–	–
> 15-≤ 45%	1	0	1	–	–	1	–	–
> 45-≤ 75%	0	1	0	–	–	0	–	–
> 75%	0	0	0	–	–	0	–	–

1 ROE has been calculated as:

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

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

2 Only public information about portfolio management companies at year end is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods only broker-dealers and brokers data are shown.

3 Average weighted by equity, %.

Financial advisory firms. Main figures[1]

TABLE 2.13

Thousand euro	2013	2014	2015	2016	2017
ASSETS ADVISED[2]					
Total	17,630,081	21,284,942	25,084,882	30,174,877	30,790,535
Retail clients	4,991,653	5,671,431	6,499,049	7,588,143	9,096,071
Professional	3,947,782	4,808,250	5,108,032	5,654,358	6,482,283
Other	8,690,646	10,805,261	13,477,801	16,932,376	15,212,181
COMMISSION INCOME[3]					
Total	33,272	48,460	57,231	52,534	65,802
Commission revenues	33,066	47,641	56,227	51,687	65,191
Other income	206	819	1,004	847	611
EQUITY					
Total	21,498	24,808	25,021	24,119	32,803
Share capital	5,156	5,372	5,881	6,834	8,039
Reserves and retained earnings	9,453	7,978	7,583	12,123	13,317
Income for the year[3]	6,890	11,458	11,481	7,511	11,361
Other own funds	–	–	76	-2,349	86

1 Annual frequency since 2015 (CNMV Circular 3/2014, of 22 October).
2 Data at the end of each period.
3 Accumulated data from the beginning of the year.

3 Collective investment schemes (CIS)[a]

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

TABLE 3.1

				2017		2018		
	2015	2016	2017	III	IV	I	II	III[1]
Total financial CIS	5,180	5,035	4,564	4,674	4,564	4,516	4,444	4,448
Mutual funds	1,760	1,748	1,676	1,712	1,676	1,668	1,628	1,640
Investment companies	3,372	3,239	2,833	2,907	2,833	2,793	2,763	2,753
Funds of hedge funds	11	7	8	9	8	8	7	7
Hedge funds	37	41	47	46	47	47	46	48
Total real estate CIS	9	9	7	10	7	7	7	7
Real estate mutual funds	3	3	3	3	3	3	3	3
Real estate investment companies	6	6	4	7	4	4	4	4
Total foreign CIS marketed in Spain	880	941	1,013	998	1,013	1,009	1,022	1,027
Foreign funds marketed in Spain	425	441	455	452	455	450	446	451
Foreign companies marketed in Spain	455	500	558	546	558	559	576	576
Management companies	96	101	109	107	109	113	116	117
CIS depositories	65	56	54	55	54	53	44	41

1 Available data: August 2018.

Number of CIS investors and shareholders[1]

TABLE 3.2

				2017		2018		
	2015	2016	2017	III	IV	I	II	III[2]
Total financial CIS	8,164,054	8,704,329	10,704,585	10,489,150	10,704,585	11,439,656	11,851,561	11,808,284
Mutual funds	7,680,124	8,248,249	10,283,312	10,060,765	10,283,312	11,019,934	11,431,573	11,388,370
Investment companies	483,930	456,080	421,273	428,385	421,273	419,722	419,988	419,914
Total real estate CIS	4,501	4,601	1,424	4,450	1,424	1,517	908	908
Real estate mutual funds	3,918	3,927	1,097	3,963	1,097	1,092	483	483
Real estate investment companies	583	674	327	487	327	425	425	425
Total foreign CIS marketed in Spain[3, 4]	1,643,776	1,748,604	2,226,991	2,196,847	2,226,991	–	–	–
Foreign funds marketed in Spain	298,733	372,872	445,299	460,374	445,299	–	–	–
Foreign companies marketed in Spain	1,345,043	1,375,732	1,781,692	1,736,473	1,781,692	–	–	–

1 Investors and shareholders who invest in many sub-funds from the same CIS have only been taken into account once. For this reason, investors and shareholders can be different from those in Tables 3.6 and 3.7.
2 Available data: July 2018.
3 Until fourth quarter 2017, data on Exchange Traded Funds (ETFs) are not included.
4 No data available from 1 January 2018, due to the enforcement of CNMV Circular 2/2017, of 25 October, amending CNMV Circular 2/2011, of 9 June, on information on foreign collective investment schemes registered with the Comisión Nacional del Mercado de Valores.

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

Total net assets of CIS

TABLE 3.3

Million euro	2015	2016	2017	2017 III	2017 IV	2018 I	2018 II	2018 III[1]
Total financial CIS	255,677.0	269,953.8	296,619.5	290,181.9	296,619.5	302,020.1	304,605.7	307,503.5
Mutual funds[2]	222,144.6	237,862.2	265,194.8	258,466.2	265,194.8	271,264.3	273,774.0	276,395.1
Investment companies	33,532.4	32,091.6	31,424.7	31,715.7	31,424.7	30,755.8	30,831.7	31,108.4
Total real estate CIS	1,093.1	1,077.4	991.4	1,088.9	991.4	920.5	880.3	881.4
Real estate mutual funds	391.0	370.1	360.0	360.3	360.0	360.9	309.4	309.4
Real estate investment companies	702.1	707.3	631.4	728.6	631.4	559.6	570.9	572.0
Total foreign CIS marketed in Spain[3, 4]	108,091.6	114,990.2	150,420.6	141,828.0	150,420.6	–	–	–
Foreign funds marketed in Spain	15,305.1	21,337.5	26,133.9	27,108.5	26,133.9	–	–	–
Foreign companies marketed in Spain	92,786.5	93,652.8	124,286.7	114,719.5	124,286.7	–	–	–

1 Available data: July 2018.
2 Mutual funds invested in financial mutual funds of the same management company amounted to 6.59 billion euros in June 2018.
3 Until fourth quarter 2017, data on Exchange Traded Funds (ETFs) are not included.
4 No data available from 1 January 2018, due to the enforcement of CNMV Circular 2/2017, of 25 October, amending CNMV Circular 2/2011, of 9 June, on information on foreign collective investment schemes registered with the Comisión Nacional del Mercado de Valores.

Mutual funds asset allocation

TABLE 3.4

Million euro	2015	2016	2017	2017 II	2017 III	2017 IV	2018 I	2018 II
Asset	222,144.6	237,862.2	265,194.8	253,581.1	258,466.2	265,194.8	271,264.3	273,774.0
Portfolio investment	204,797.4	219,141.1	244,598.0	234,855.5	239,130.5	244,598.0	249,808.0	250,815.1
Domestic securities	93,833.6	95,799.1	83,032.1	88,257.1	83,884.6	83,032.1	83,206.6	78,221.9
Debt securities	58,451.3	63,471.1	55,389.1	60,082.3	55,836.9	55,389.1	54,869.3	51,096.6
Shares	8,757.5	8,529.9	10,911.7	10,248.0	10,429.3	10,911.7	12,192.4	12,419.1
Investment collective schemes	5,698.5	6,249.5	7,625.9	6,811.8	7,534.8	7,625.9	7,907.1	7,666.1
Deposits in credit institutions	20,482.9	17,134.3	8,657.1	10,562.0	9,546.8	8,657.1	7,871.1	6,696.5
Derivatives	433.7	405.7	441.4	545.4	529.2	441.4	359.7	337.8
Other	9.7	8.5	6.8	7.7	7.4	6.8	7.1	5.9
Foreign securities	110,957.0	123,336.0	161,556.6	146,588.9	155,236.4	161,556.6	166,594.4	172,586.0
Debt securities	48,542.8	56,307.9	67,794.0	64,848.2	67,487.2	67,794.0	69,764.9	73,945.3
Shares	18,654.1	20,035.3	27,081.8	24,241.5	25,958.6	27,081.8	28,031.5	29,236.3
Investment collective schemes	43,365.7	46,435.1	66,099.9	56,832.3	61,155.5	66,099.9	68,426.1	68,981.4
Deposits in credit institutions	104.1	81.2	74.7	101.8	90.8	74.7	38.5	38.4
Derivatives	285.6	474.3	504.7	563.3	542.6	504.7	332.1	383.3
Other	4.8	2.3	1.4	1.8	1.7	1.4	1.4	1.3
Doubtful assets and matured investment	6.8	6.1	9.3	9.5	9.5	9.3	7.1	7.2
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	16,594.5	18,392.6	19,988.5	19,077.4	18,910.6	19,988.5	21,265.2	22,157.5
Net balance (Debtors - Creditors)	752.7	328.5	608.3	-351.8	425.1	608.3	191.1	801.4

Asset allocation of investment companies

TABLE 3.5

Million euro	2015	2016	2017	2017 II	2017 III	2017 IV	2018 I	2018 II
Asset	33,532.4	32,091.6	31,424.7	31,852.9	31,715.7	31,424.7	30,755.8	30,831.7
Portfolio investment	30,035.2	28,127.7	28,804.9	28,708.5	28,745.3	28,804.9	28,072.2	27,989.2
Domestic securities	9,424.4	7,707.1	6,229.4	7,305.1	6,684.0	6,229.4	5,714.0	5,640.4
Debt securities	3,663.3	2,395.4	1,653.8	2,231.0	1,842.5	1,653.8	1,275.2	1,334.2
Shares	3,090.3	2,871.9	2,674.5	2,923.2	2,816.7	2,674.5	2,684.5	2,586.4
Collective investment schemes	1,418.4	1,485.3	1,625.9	1,636.6	1,598.9	1,625.9	1,494.2	1,487.0
Deposits in credit institutions	1,226.3	925.3	236.2	477.5	390.8	236.2	218.2	192.3
Derivatives	-7.4	-5.2	-0.6	-3.2	-4.1	-0.6	-1.1	-1.3
Other	33.7	34.4	39.7	39.9	39.2	39.7	43.0	41.8
Foreign securities	20,608.1	20,412.7	22,566.2	21,396.7	22,054.3	22,566.2	22,353.3	22,343.8
Debt securities	4,472.0	4,263.3	4,396.6	4,395.1	4,471.0	4,396.6	4,215.2	4,367.0
Shares	7,025.9	6,465.5	6,987.8	6,512.0	6,821.5	6,987.8	6,844.5	6,832.5
Collective investment schemes	9,090.2	9,653.0	11,153.5	10,456.9	10,744.4	11,153.5	11,267.7	11,114.0
Deposits in credit institutions	6.2	6.7	0.0	4.5	4.4	0.0	0.0	0.0
Derivatives	8.3	15.7	19.3	20.3	3.7	19.3	15.0	16.8
Other	5.5	8.4	8.9	7.9	9.4	8.9	11.0	13.6
Doubtful assets and matured investment	2.7	7.9	9.3	6.7	6.9	9.3	5.0	5.0
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	0.6	0.6	0.6	0.6	0.6	0.6
Cash	3,211.3	3,791.7	2,421.7	2,942.8	2,719.2	2,421.7	2,500.1	2,521.4
Net balance (Debtors - Creditors)	285.8	172.2	197.5	201.0	250.6	197.5	182.9	320.5

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

TABLE 3.6

	2015	2016	2017	2017 III	IV	2018 I	II	III[3]
NO. OF FUNDS								
Total financial mutual funds	1,804	1,805	1,741	1,795	1,741	1,748	1,724	1,723
Fixed-income[4]	319	306	290	294	290	284	281	280
Mixed fixed-income[5]	132	148	155	158	155	154	161	162
Mixed equity[6]	142	168	176	177	176	177	176	180
Euro equity	109	112	111	113	111	106	108	111
Foreign equity	200	201	211	210	211	224	229	230
Guaranteed fixed-income	186	122	79	90	79	76	69	66
Guaranteed equity[7]	205	198	188	190	188	186	175	173
Global funds	178	203	225	223	225	241	236	235
Passive management	213	220	202	213	202	201	187	184
Absolute return	97	106	104	106	104	99	102	100
INVESTORS								
Total financial mutual funds	7,682,947	8,253,611	10,287,454	10,068,296	10,287,454	11,019,934	11,435,155	11,394,825
Fixed-income[4]	2,203,847	2,347,984	2,627,547	2,660,197	2,627,547	2,711,617	2,840,000	2,836,638
Mixed fixed-income[5]	1,130,190	1,043,798	1,197,523	1,154,688	1,197,523	1,239,848	1,252,577	1,250,958
Mixed equity[6]	612,276	448,491	584,408	552,773	584,408	618,234	615,754	620,195
Euro equity	422,469	395,697	710,928	663,541	710,928	877,146	929,169	840,691
Foreign equity	1,041,517	1,172,287	1,865,367	1,790,875	1,865,367	2,071,665	2,186,454	2,207,117
Guaranteed fixed-income	423,409	307,771	190,075	205,956	190,075	184,036	175,776	166,482
Guaranteed equity[7]	417,843	552,445	527,533	542,772	527,533	519,396	505,574	503,658
Global funds	381,590	658,722	1,086,937	985,627	1,086,937	1,236,975	1,366,657	1,402,690
Passive management	554,698	746,233	638,966	673,604	638,966	601,927	554,981	555,202
Absolute return	479,182	565,325	858,170	823,971	858,170	959,090	1,008,213	1,008,247
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	222,144.6	237,862.2	265,194.8	258,466.2	265,194.8	271,264.3	273,774.0	276,395.1
Fixed-income[4]	65,583.8	74,226.4	70,563.9	70,297.1	70,563.9	69,325.4	68,881.3	69,101.1
Mixed fixed-income[5]	44,791.8	40,065.6	43,407.0	42,668.4	43,407.0	43,766.1	43,979.4	44,090.1
Mixed equity[6]	21,502.9	16,310.6	22,386.7	20,754.6	22,386.7	23,860.3	24,039.9	24,610.2
Euro equity	9,092.9	8,665.9	12,203.2	11,753.3	12,203.2	13,714.2	14,282.2	14,345.1
Foreign equity	17,143.2	17,678.8	24,064.6	22,445.3	24,064.6	24,808.0	26,484.3	27,245.1
Guaranteed fixed-income	12,375.6	8,679.8	5,456.7	5,828.2	5,456.7	5,311.3	4,982.8	4,743.7
Guaranteed equity[7]	9,966.6	15,475.7	15,417.5	15,909.7	15,417.5	15,203.6	14,664.1	14,531.9
Global funds	12,683.3	20,916.8	35,511.5	31,439.9	35,511.5	39,908.6	42,633.5	43,912.6
Passive management	17,731.1	23,601.6	19,477.8	20,972.4	19,477.8	18,097.7	16,686.8	16,885.6
Absolute return	11,228.1	12,215.2	16,705.9	16,371.3	16,705.9	17,269.0	17,139.7	16,915.1

1 Sub-funds which have sent reports to the CNMV excluding those in process of dissolution or liquidation.
2 As from July 2015, data on side-pocket sub-funds are only included in aggregate figures and not in each individual category.
3 Available data: July 2018.
4 Fixed income euro, Foreign fixed-income, Monetary market funds and Short-term monetary market funds.
5 Mixed euro fixed-income and Foreign mixed fixed-income.
6 Mixed euro equity and Foreign mixed equity.
7 Guaranteed equity and Partial guarantee.

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

TABLE 3.7

	2015	2016	2017	2017 III	IV	2018 I	II	III[1]
INVESTORS								
Total financial mutual funds	7,682,947	8,253,611	10,287,454	10,068,296	10,287,454	11,019,934	11,435,155	11,394,825
Individuals	7,494,162	8,059,916	10,080,255	9,860,295	10,080,255	10,804,999	11,218,135	11,178,958
Residents	7,422,330	7,985,404	9,994,395	9,775,710	9,994,395	10,716,077	11,127,615	11,088,534
Non-residents	71,832	74,512	85,860	84,585	85,860	88,922	90,520	90,424
Legal entities	188,785	193,695	207,199	208,001	207,199	214,935	217,020	215,867
Credit institutions	532	497	515	638	515	506	635	648
Other resident institutions	187,395	192,381	205,804	206,445	205,804	213,531	215,461	214,305
Non-resident institutions	858	817	880	918	880	898	924	914
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	222,144.6	237,862.2	265,194.8	258,466.2	265,194.8	271,264.3	273,774.0	276,395.1
Individuals	181,868.0	195,567.5	218,429.6	212,672.1	218,429.6	223,612.2	226,346.6	228,503.7
Residents	179,232.4	192,743.0	215,290.8	209,623.1	215,290.8	220,446.1	223,127.5	225,254.0
Non-residents	2,635.6	2,824.5	3,138.8	3,049.0	3,138.8	3,166.1	3,219.0	3,249.6
Legal entities	40,276.6	42,294.8	46,765.1	45,794.1	46,765.1	47,652.1	47,427.4	47,891.4
Credit institutions	483.0	374.3	342.2	462.7	342.2	369.7	346.2	531.6
Other resident institutions	39,071.0	41,212.4	45,518.8	44,412.0	45,518.8	46,318.5	46,033.0	46,299.7
Non-resident institutions	722.6	708.1	904.1	919.4	904.1	963.9	1,048.1	1,060.1

1 Available data: July 2018.

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

TABLE 3.8

Million euro	2015	2016	2017	2017 II	III	IV	2018 I	II
SUBSCRIPTIONS								
Total financial mutual funds	159,036.2	113,274.7	151,586.4	39,562.9	26,147.6	46,229.8	48,437.9	34,408.7
Fixed-income	66,789.7	53,163.3	59,088.5	14,448.6	10,458.6	18,942.1	18,772.2	15,737.5
Mixed fixed-income	36,441.2	11,065.3	20,513.3	5,690.0	3,312.3	5,216.0	6,323.9	3,908.0
Mixed equity	13,771.0	4,250.6	10,452.2	3,037.3	1,669.3	2,932.9	4,351.9	2,295.2
Euro equity	6,719.9	3,716.3	9,452.9	2,275.5	1,421.0	4,184.1	2,908.8	1,731.3
Foreign equity	11,236.2	7,167.6	14,866.5	3,213.5	2,273.9	5,632.3	4,907.1	2,891.3
Guaranteed fixed-income	562.4	2,005.3	986.9	230.3	91.5	183.1	110.9	167.1
Guaranteed equity	1,993.2	7,942.5	2,413.1	375.8	234.3	314.3	346.2	490.0
Global funds	9,636.1	8,914.5	21,571.9	6,824.7	3,612.7	6,060.3	7,502.4	5,118.3
Passive management	3,350.5	10,195.7	2,374.0	504.0	491.5	489.0	752.9	356.9
Absolute return	8,363.0	4,853.2	9,867.1	2,963.2	2,582.5	2,275.8	2,461.5	1,713.1
REDEMPTIONS								
Total financial mutual funds	135,569.6	99,492.3	130,248.0	33,594.6	22,689.0	40,584.7	39,524.8	32,389.8
Fixed-income	72,141.1	45,549.5	62,087.2	15,630.1	10,392.2	18,873.1	19,828.2	15,838.0
Mixed fixed-income	15,273.7	14,242.9	18,011.6	5,294.9	3,069.6	4,503.4	5,597.7	3,962.0
Mixed equity	5,617.2	7,280.8	4,942.6	1,357.6	859.1	1,442.6	2,483.3	1,749.7
Euro equity	6,251.0	4,259.2	6,908.0	1,317.8	774.7	3,641.1	1,051.1	1,475.6
Foreign equity	7,175.7	6,821.0	10,363.6	2,810.3	1,251.2	4,517.0	3,363.2	2,092.2
Guaranteed fixed-income	7,369.8	5,208.0	3,876.9	1,008.8	1,023.2	530.9	309.4	399.8
Guaranteed equity	4,593.0	2,464.1	3,001.5	815.3	688.7	853.4	607.8	810.1
Global funds	3,830.8	5,334.6	8,587.6	2,471.4	1,970.9	2,421.5	2,667.2	2,414.6
Passive management	9,614.7	4,405.7	6,954.8	1,719.0	1,225.7	1,939.2	1,899.6	1,737.9
Absolute return	3,551.6	3,906.8	5,488.2	1,169.4	1,433.6	1,836.6	1,717.2	1,909.9

1 Estimated data.
2 As from July 2015, data on side-pocket sub-funds are only included in aggregate figures and not in each individual category.

Change in assets in financial mutual funds by category: Net subscriptions/redemptions and return on assets[1]

TABLE 3.9

				2017			2018	
Million euro	2015	2016	2017	II	III	IV	I	II
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	22,763.6	13,823.2	21,325.0	5,967.1	3,443.9	5,642.3	8,913.3	2,014.0
Fixed-income	-4,816.1	8,243.5	-3,638.0	-892.2	-880.7	265.0	-1,145.9	30.0
Mixed fixed-income	20,903.0	-4,750.8	2,890.5	305.8	731.0	686.6	731.3	448.9
Mixed equity	8,227.3	-5,194.5	5,498.6	1,706.0	761.2	1,516.4	1,878.4	40.4
Euro equity	467.2	-538.0	2,549.7	916.0	691.1	495.1	1,768.8	257.4
Foreign equity	4,110.2	-32.5	4,514.0	428.4	1,005.7	1,114.5	1,638.4	813.6
Guaranteed fixed-income	-8,093.5	-3,699.6	-3,262.6	-869.7	-1,047.6	-388.7	-198.5	-262.9
Guaranteed equity	-2,396.4	5,465.9	-309.5	-348.3	-349.3	-498.1	-268.5	-368.1
Global funds	5,787.9	7,801.3	13,405.9	4,306.1	2,109.0	3,629.5	5,055.6	2,695.5
Passive management	-6,274.9	5,603.4	-4,585.0	-1,215.1	-738.1	-1,450.3	-1,275.4	-1,447.8
Absolute return	4,802.6	943.5	4,287.3	1,630.1	1,161.6	298.3	729.0	-193.1
RETURN ON ASSETS								
Total financial mutual funds	680.1	1,909.9	6,022.6	336.0	1,449.2	1,086.6	-2,837.8	499.0
Fixed-income	69.3	399.3	-24.1	-21.8	53.0	1.9	-92.6	-474.0
Mixed fixed-income	-425.2	25.1	451.4	4.1	160.7	50.2	-370.6	-233.8
Mixed equity	-294.8	2.2	577.8	-34.0	162.0	115.9	-404.8	139.2
Euro equity	224.2	110.8	987.8	206.0	65.7	-45.0	-257.8	254.6
Foreign equity	766.6	568.4	1,872.3	-121.0	445.4	505.0	-894.8	863.3
Guaranteed fixed-income	52.1	3.9	39.4	33.3	17.8	17.1	53.2	-65.6
Guaranteed equity	166.6	43.1	251.3	112.7	75.7	5.8	54.6	-171.4
Global funds	9.3	432.1	1,190.3	3.7	286.1	443.7	-657.9	249.0
Passive management	185.5	281.5	472.9	114.9	115.7	-44.3	-101.1	36.9
Absolute return	-72.7	43.7	203.4	37.9	67.1	36.2	-165.9	-99.1

1 As from July 2015, data on side-pocket sub-funds are only included in aggregate figures and not in each individual category.

Return on assets in financial mutual funds. Breakdown by category[1]

TABLE 3.10

% of daily average total net assets	2015	2016	2017	2017 II	III	IV	2018 I	II
MANAGEMENT YIELDS								
Total financial mutual funds	1.41	1.91	3.41	0.39	0.82	0.67	-0.82	0.43
Fixed-income	0.85	1.24	0.59	0.13	0.23	0.16	0.00	-0.55
Mixed fixed-income	0.14	1.26	2.22	0.30	0.66	0.40	-0.59	-0.26
Mixed equity	-0.12	1.45	4.36	0.17	1.15	0.88	-1.41	0.92
Euro equity	4.41	3.38	11.14	2.43	1.04	0.07	-1.56	2.24
Foreign equity	6.80	5.55	10.80	-0.10	2.54	2.64	-3.20	3.75
Guaranteed fixed-income	1.25	0.79	1.14	0.62	0.43	0.44	1.12	-1.19
Guaranteed equity	2.75	1.09	2.18	0.86	0.64	0.15	0.50	-1.02
Global funds	1.25	3.95	5.39	0.31	1.23	1.64	-1.45	0.87
Passive management	1.65	2.11	2.81	0.68	0.70	-0.08	-0.39	0.37
Absolute return	0.29	1.41	2.32	0.50	0.66	0.46	-0.76	-0.37
EXPENSES. MANAGEMENT FEES								
Total financial mutual funds	1.00	0.95	0.91	0.23	0.23	0.23	0.21	0.22
Fixed-income	0.66	0.58	0.54	0.14	0.14	0.13	0.11	0.11
Mixed fixed-income	1.15	1.12	1.05	0.26	0.26	0.26	0.25	0.24
Mixed equity	1.41	1.40	1.34	0.33	0.34	0.33	0.31	0.32
Euro equity	1.76	1.75	1.71	0.43	0.42	0.42	0.37	0.37
Foreign equity	1.71	1.71	1.69	0.41	0.42	0.42	0.36	0.36
Guaranteed fixed-income	0.84	0.68	0.48	0.13	0.12	0.11	0.10	0.10
Guaranteed equity	1.05	0.70	0.58	0.15	0.14	0.14	0.13	0.14
Global funds	1.06	1.26	1.07	0.26	0.26	0.27	0.25	0.25
Passive management	0.64	0.56	0.52	0.13	0.13	0.13	0.12	0.12
Absolute return	0.99	0.96	0.91	0.22	0.22	0.23	0.20	0.20
EXPENSES. DEPOSITORY FEES								
Total financial mutual funds	0.09	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Fixed-income	0.08	0.07	0.07	0.02	0.02	0.02	0.02	0.02
Mixed fixed-income	0.09	0.09	0.09	0.02	0.02	0.02	0.02	0.02
Mixed equity	0.11	0.11	0.10	0.03	0.03	0.02	0.02	0.02
Euro equity	0.12	0.12	0.11	0.03	0.03	0.03	0.02	0.02
Foreign equity	0.12	0.12	0.10	0.03	0.03	0.02	0.02	0.02
Guaranteed fixed-income	0.06	0.06	0.05	0.01	0.01	0.01	0.01	0.01
Guaranteed equity	0.08	0.06	0.05	0.01	0.01	0.01	0.01	0.01
Global funds	0.08	0.10	0.09	0.02	0.02	0.02	0.02	0.02
Passive management	0.07	0.06	0.06	0.01	0.01	0.01	0.01	0.01
Absolute return	0.08	0.08	0.07	0.02	0.02	0.02	0.02	0.02

1 As from July 2015, data on side-pocket sub-funds are only included in aggregate figures and not in each individual category.

Returns of mutual funds. Breakdown by category[1]

TABLE 3.11

In %	2015	2016	2017	2017 III	IV	2018 I	II	III[2]
Total financial mutual funds	0.89	0.98	2.42	0.56	0.33	-1.04	0.23	0.71
Fixed-income	0.10	0.52	-0.13	0.05	-0.08	-0.26	-0.68	0.13
Mixed fixed-income	0.16	0.27	1.10	0.38	0.12	-0.84	-0.53	0.57
Mixed equity	0.15	1.19	3.23	0.80	0.57	-1.69	0.62	1.00
Euro equity	3.44	2.61	11.16	0.55	-0.23	-1.77	1.88	2.24
Foreign equity	7.84	4.15	8.75	2.09	1.27	-3.51	3.59	1.51
Guaranteed fixed-income	0.27	-0.03	0.72	0.29	0.30	1.02	-1.30	0.02
Guaranteed equity	1.07	0.19	1.61	0.48	0.03	0.35	-1.16	0.23
Global funds	2.45	1.99	4.46	0.94	1.31	-1.58	0.66	0.88
Passive management	0.53	1.16	2.13	0.50	-0.20	-0.51	0.23	1.11
Absolute return	0.12	0.38	1.44	0.43	0.23	-0.93	-0.57	0.25

1 As from July 2015, data on side-pocket sub-funds are only included in aggregate figures and not in each individual category.
2 Available data: July 2018.

Hedge funds and funds of hedge funds

TABLE 3.12

	2015	2016	2017	2017 II	2017 III	2017 IV	2018 I	2018 II[1]
HEDGE FUNDS								
Investors/shareholders	3,089	2,930	3,656	3,308	3,444	3,656	3,973	4,040
Total net assets (million euro)	1,764.8	1,889.2	2,298.2	2,140.0	2,192.0	2,298.2	2,329.7	2,344.7
Subscriptions (million euro)	596.6	425.5	663.9	197.5	107.8	195.6	176.0	46.8
Redemptions (million euro)	260.5	376.6	607.2	255.1	82.4	108.5	128.1	68.1
Net subscriptions/redemptions (million euro)	336.1	48.9	56.7	-57.6	25.4	87.1	48.0	-21.3
Return on assets (million euro)	56.3	75.5	149.4	22.8	26.6	19.0	-16.5	36.4
Returns (%)	4.83	4.32	7.84	1.74	1.03	0.80	-0.91	1.59
Management yield (%)[2]	6.17	4.68	9.51	1.73	1.85	1.31	-0.38	1.88
Management fee (%)[2]	2.34	2.25	2.59	0.61	0.56	0.47	0.85	0.35
Financial expenses (%)[2]	0.51	0.10	0.00	0.00	0.00	0.00	0.00	0.00
FUNDS OF HEDGE FUNDS								
Investors/shareholders	1,265	1,237	3,596	2,393	3,534	3,596	3,605	2,791
Total net assets (million euro)	319.8	293.7	468.7	327.0	472.0	468.7	470.0	470.2
Subscriptions (million euro)	8.3	0.0	205.4	48.7	144.4	12.0	3.4	–
Redemptions (million euro)	54.9	28.1	22.1	6.5	0.0	14.3	0.4	–
Net subscriptions/redemptions (million euro)	-46.6	-28.1	183.4	42.2	144.4	-2.3	3.1	–
Return on assets (million euro)	21.0	2.1	-8.3	-8.4	0.6	-1.0	-1.8	–
Returns (%)	6.16	0.90	-1.66	-2.04	0.36	-0.13	-0.37	0.12
Management yield (%)[3]	6.61	-0.95	-0.24	-1.97	0.51	0.43	0.08	–
Management fee (%)[3]	0.48	0.82	1.45	0.42	0.36	0.42	0.40	–
Depository fee (%)[3]	0.04	0.06	0.06	0.01	0.01	0.02	0.01	–

1 Available data: May 2018.
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

	2015	2016	2017	2017 III	2017 IV	2018 I	2018 II	2018 III[2]
NUMBER OF PORTFOLIOS[3]								
Mutual funds	1,760	1,748	1,676	1,712	1,676	1,668	1,628	1,636
Investment companies	3,333	3,231	2,824	2,898	2,824	2,784	2,754	2,744
Funds of hedge funds	11	7	8	9	8	8	7	7
Hedge funds	37	41	47	46	47	47	46	48
Real estate mutual funds	3	3	3	3	3	3	3	3
Real estate investment companies	6	6	4	7	4	4	4	4
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	222,144.6	237,862.2	265,194.8	258,466.2	265,194.8	271,264.3	273,774.0	276,395.1
Investment companies	32,879.4	31,783.2	31,021.1	31,339.5	31,021.1	30,366.6	30,428.1	30,682.3
Funds of hedge funds[4]	319.8	293.7	468.7	472.0	468.7	470.6	319.1	–
Hedge funds[4]	1,764.8	1,889.2	2,298.2	2,192.0	2,298.2	2,391.7	2,344.7	–
Real estate mutual funds	391.0	370.1	360.0	360.3	360.0	360.9	309.4	309.4
Real estate investment companies	702.1	707.3	631.5	728.6	631.5	559.6	570.9	572.0

1 Until March 2016, all assets of investment companies which are co-managed by management companies and other different companies are considered “assets under management”.
2 Available data: July 2018
3 Data source: Collective Investment Schemes Registers.
4 Available data for II Quarter 2018: May 2018.

Foreign Collective Investment Schemes marketed in Spain[1, 2]

TABLE 3.14

				2017			2018	
	2015	2016	2017	II	III	IV	I	II
INVESTMENT VOLUME[3] (million euro)								
Total	108,091.6	114,990.2	150,420.6	137,341.6	141,828.0	150,420.6	–	–
Mutual funds	15,305.1	21,337.5	26,133.9	26,864.2	27,108.5	26,133.9	–	–
Investment companies	92,786.5	93,652.8	124,286.7	110,477.4	114,719.5	124,286.7	–	–
INVESTORS/SHAREHOLDERS								
Total	1,643,776	1,748,604	2,226,991	2,134,143	2,196,847	2,226,991	–	–
Mutual funds	298,733	372,872	445,299	448,554	460,374	445,299	–	–
Investment companies	1,345,043	1,375,732	1,781,692	1,685,589	1,736,473	1,781,692	–	–
NUMBER OF SCHEMES								
Total	880	941	1,013	957	998	1,013	1,009	1,022
Mutual funds	425	441	455	430	452	455	450	446
Investment companies	455	500	558	527	546	558	559	576
COUNTRY								
Luxembourg	362	391	429	411	424	429	425	437
France	282	286	292	270	289	292	288	276
Ireland	143	160	184	167	173	184	187	196
Germany	32	32	35	33	35	35	36	38
UK	31	32	33	32	33	33	33	30
The Netherlands	2	2	2	2	2	2	2	2
Austria	23	23	21	23	23	21	21	24
Belgium	4	4	5	5	5	5	5	5
Denmark	1	1	1	1	1	1	1	1
Finland	0	4	8	7	7	8	8	9
Liechtenstein	0	6	3	6	6	3	3	4

1 Until fourth quarter 2017, data on Exchange Traded Funds (ETFs) are not included.
2 No available data on investment volume and investors/shareholders from 1 January 2018 due to the enforcement of CNMV Circular 2/2017, of 25 October, amending CNMV Circular 2/2011, of 9 June, on information on foreign collective investment schemes registered with the Comisión Nacional del Mercado de Valores.
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

				2017		2018		
	2015	2016	2017	III	IV	I	II	III[2]
REAL ESTATE MUTUAL FUNDS								
Number	3	3	3	3	3	3	2	2
Investors	3,918	3,927	1,097	3,963	1,097	1,092	483	483
Assets (million euro)	391.0	370.1	360.0	360.3	360.0	360.9	309.4	309.4
Return on assets (%)	-6.66	-5.35	-2.60	-0.08	-0.06	0.24	0.02	0.00
REAL ESTATE INVESTMENT COMPANIES								
Number	6	6	4	7	4	4	4	4
Shareholders	583	674	327	487	327	425	425	425
Assets (million euro)	702.1	707.3	631.5	728.6	631.5	559.6	570.9	572.0

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: July 2018.