CNMV
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Quarter III
2021

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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 service
ABS	Asset-Backed Security
AIAF	Spanish Market in Fixed-income Securities
AIF	Alternative Investment Fund
ANCV	Spanish National Numbering Agency
APA	Approved Publication Arrangement
APR	Annual Percentage Rate
ASCRI	Spanish Venture Capital & Private Equity Association
AV	Broker
BIS	Bank for International Settlements
BME	Spanish Stock Markets and Financial Systems
CADE	Public Debt Book-entry Trading System
CC. AA.	Autonomous regions
CCP	Central Counterparty
CDS	Credit Default Swap
CFA	Atypical financial contract
CFD	Contract For Differences
CISMC	CIS Management Company
CNMV	(Spanish) National Securities Market Commission
CP	Crowdfunding Platform
CS	Customer Service
CSD	Central Securities Depository
CSRD	Central Securities Depositories Regulation
DLT	Distributed Ledger Technology
EAF	Financial advisory firm
EBA	European Banking Authority
EBITDA	Earnings Before Interest Taxes, Depreciation and Amortisation
EC	European Commission
ECA	Credit and savings institution
ECB	European Central Bank
ECR	Venture capital firm
EFAMA	European Fund and Asset Management Association
EFSM	European Financial Stabilisation Mechanism
EICC	Closed-ended collective investment company
EIOPA	Occupational Pensions Authority
EIP	Public interest entity
EMIR	European Market Infrastructure Regulation
EMU	Economic and Monetary Union
ESFS	European System of Financial Supervision
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	Exchange Traded Fund
EU	European Union
EUSEF	European Social Entrepreneurship Fund
FICC	Closed-ended collective investment fund

FII	Real estate investment fund
FIN-NET	Financial Dispute Resolution Network
FINTECH	Financial Technology
FOGAIN	Investment Guarantee Fund
FRA	Forward Rate Agreement
FROB	Fund for Orderly Bank Restructuring
FSB	Financial Stability Board
FTA	Asset securitisation fund
FTH	Mortgage securitisation fund
GDP	Gross Domestic Product
HF	Hedge Fund
HFT	High Frequency Trading
IAGC	Annual corporate governance report
IARC	Annual report on director remuneration
IAS	International Accounting Standards
ICIS	Collective investment company/scheme
ICO	Initial Coin Offering
IF	Investment Firm / Investment Fund
IFRS	International Financial Reporting Standards
IIMV	Ibero-American Securities Market Institute
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering (for sale/subscription of securities)
IPP	Periodic public information
IRR	Internal Rate of Return
ISIN	International Securities Identification Number
KIID/KID	Key Investor Information Document
Latibex	Market of Latin American Securities
LEI	Legal Entity Identifier
LIIC	Spanish Collective Investment Companies Act
LMV	Spanish Securities Market Act
MAB	Alternative Stock Market
MAD	Market Abuse Directive
MAR	Market Abuse Regulation
MARF	Alternative Fixed-Income Market
MBS	Mortgage Backed Securities
MEFF	Spanish Financial Futures Market
MFP	Maximum Fee Prospectus
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MOU	Memorandum Of Understanding
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MTF	Multilateral Trading Facility
MTS	Market for Treasury Securities
NCA	National Competent Authority
NDP	National Domestic Product
OECD	Organisation for Economic Cooperation and Development
OIS	Overnight Indexed Swaps
OTC	Over The Counter
OTF	Organised Trading Facility
PER	Price-to-Earnings Ratio
PRIIP	Packaged Retail and Insurance Based Investment Product
PUI	Loan of last resort
RAROC	Risk-Adjusted Return On Capital

REIT	Real Estate Investment Trust
RENADE	Spanish National Registry for Greenhouse Gas Emission Allowances
RFQ	Request For Quote
ROA	Return On Assets
ROE	Return On Equity
SAMMS	Advanced Secondary Market Tracking System
SAREB	Asset Management Company for Assets Arising from Bank Restructuring
SENAF	Electronic Trading Platform for Spanish Government Bonds
SEND	Electronic Debt Trading System
SEPBLAC	The Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences
SGC	Portfolio management company
SGECR	Venture capital firm management company
SGEIC	Closed-ended investment scheme management company
SGFT	Asset securitisation fund management company
SIBE	Electronic Spanish Stock Market Interconnection System
SICAV	Open-ended collective investment company
SICC	Closed-ended collective investment company
SII	Real estate investment company
SIL	Hedge fund with legal personality
SME	Small and Medium Enterprise
SNCE	National Electronic Clearing System
SPV/SFV	Special purpose/financial vehicle
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
STOR	Suspicious Transaction and Order Report
SV	Broker-dealer
T2S	Target2-Securities
TER	Total Expense Ratio
TOB	Takeover Bid
TRLMV	Recast text of the Spanish Securities Market Act
TVR	Theoretical Value of the Right
UCITS	Undertaking for Collective Investment in Transferable Securities
VCF	Venture Capital Firm / Venture Capital Fund
XBRL	Extensible Business Reporting Language

I Securities markets and their agents: situation and outlook

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1 Executive summary

– The **international and Spanish macroeconomic and financial environment** improved considerably in the first half of this year. Economic activity data confirm the recovery of growth on a global scale, which is being driven by advances in the vaccination process, as well as the different monetary and fiscal measures implemented. However, problems in some supply chains are preventing further growth in activity, especially in advanced economies.

– In this outlook for renewed growth there are other key risks, which include: i) the uncertainty surrounding the vaccination process and the pandemic itself in future months; ii) the possibility that the uptick in inflation is not temporary as expected, since it was triggered mainly by the rise in energy prices; iii) the effects of the high indebtedness of some agents, and iv) the risks deriving from excessive risk-taking by some agents in the context of low interest rates. In September, the potential default of the Chinese real estate company **Evergrande** emerged as a new element of uncertainty. This risk, which could have a greater effect in the coming months due to accumulated imbalances and the actions of the authorities, has had a limited impact on the financial markets, concentrated mainly in China, although macroeconomic risk (of a slowdown in the Chinese economy) could derive from this event.

– In this context, the **international equity markets**, which had seen strong gains in the first half of the year, showed a more uneven performance in the third quarter,[1] with smaller increases and even declines in some cases. This uneven performance was more pronounced in emerging economy indices, especially in Asia, which were affected by the Evergrande episode. The Japanese indices were the main exceptions, registering sharp increases. In the year as a whole, the gains made by indices in advanced economies oscillated between 7.1% for the Nikkei 225 and 17.4% for the Cac 40 (9% for the Ibex 35). It should be noted that the recovery in quoted prices has been accompanied by a rise in primary market issues, which in the first nine months of the year stood at US$1.1 trillion, the same amount as in the whole of 2020.

– The **international fixed income markets** long-term sovereign debt yields were relatively smooth during the third quarter of the year, with slight increases in most advanced countries. In a context of higher growth and rising inflation, this performance extends the trend observed in the first months of the year, which was broken between May and July, and which affected the United Kingdom and United States more than other areas. The risk premiums on sovereign

1 The closing date for this report is 30 September, except for certain specific information.

debt and private fixed income did not show any noticeably different patterns compared to those observed in previous months, with the accumulated figures for the year remaining stable or decreasing slightly. In the primary markets, total debt issues decreased compared to 2020 figures due to lower financing needs in the public and the non-financial private sector.

– The **Spanish economy** was not immune to the overall recovery in activity and, despite the significant downwards revision of GDP growth in the second quarter,[2] the forecasts of the leading organisations continue to envisage a scenario of high growth this year and next (close to 6%), which is greater than that of other neighbouring countries (close to 4.5% in the euro area as a whole). Labour market data show the progressive recovery of the economy in a context of a substantial rise in inflation. The main risks identified in relation to these forecasts are similar to international risks. In addition to the development of the pandemic itself, the uncertainty surrounding the performance of companies that rely most heavily on the support measures adopted during the crisis stands out, in addition to need to continue with the consolidation of public sector accounts. On a more positive note, the energising role that the Next Generation EU (NGEU) programme could have on economic performance in the short- and medium-term should also be noted.

– The **Spanish financial market stress indicator**, which had marked a virtually uninterrupted downward trend from November 2020 to June this year (from 0.50 to 0.20) rose slightly after that date. This trend is relatively stable for the time being in the range of 0.23-0.30 (the threshold that separates the low stress level from the medium stress level is 0.27). The reason for the slight increase in stress lies in the spikes in the volatility indicators of the different assets (including oil), in a context of very high correlation in the system.

– The **Spanish equity markets**, which had seen notable gains in the first half of the year, following in the wake of the main European stocks, began the second half with price fluctuations on fears that the increase in inflation will not be temporary and force a tightening of monetary policy earlier than expected, in addition to other uncertainties (some of a domestic nature). The Ibex 35 closed the third quarter with a fall of 0.3%, which reduces its accumulated annual gain to 9%, a figure which is lower than the increases obtained by the large European indices – a trend that it shares with the UK FT100 – in a context of slight increases in volatility, virtually normal liquidity conditions and further falls in trading volumes. Issuance volumes in the equity markets were low in the third quarter of the year but the annual performance is good and the initial public offering for the sale of shares (IPO) of Acciona Energía for €2.20 billion stands out. This is first IPO in the Spanish market since the first quarter of 2018.

– The **Spanish debt markets** kicked off the third quarter with further rate cuts in the longer-dated segments, as investors dismissed an imminent

2 At the end of September, the National Statistics Institute (INE) lowered its GDP growth estimate for the second quarter from the preliminary figure of 2.8% published in July to 1.1% (quarterly rate).

tightening of monetary policy. However, throughout the month of September they experienced further increases that placed them at the starting levels for the period, following a trend similar to that observed in neighbouring countries. Likewise, debt issues made by Spanish issuers between January and September stood at €150 billion, a figure similar to that of the same period in 2020, with differences in the number of issues registered with the CNMV (which fell 5% to €73.55 billion) and those made abroad (up by 7.2% to €76.26 billion). Issuers continue to take advantage of the current financial environment to increase their short-term issues and roll over their long-term maturities.

– In the first half of 2021, the **investment fund industry** posted significant gains, with an increase in assets under management of 10.5% to stand at €309 billion (€337.30 billion including the assets of open-ended collective investment schemes (SICAV)), boosted by the historically high levels of household savings. The increase in assets under management was due to the rise in net subscriptions made by unitholders, which totalled €18 billion, and the returns offered by portfolio assets (accumulated figure of 4.3% between January and June). The liquidity conditions of the portfolios of these institutions remained satisfactory. Further, the assets of foreign collective investment schemes (CISs) marketed in Spain continued to grow, reaching close to €250 billion at the end of the six-month period, representing 42% of the total assets of CISs marketed in the country. In the early stages of the second half of this year, available indicators show that the sector continues to expand.

– **Investment firms (IFs)** posted a decline in pre-tax profit in the first half of the year, from €110 million in 2020 to €99 million in 2021. This decrease, which is due to the worse performance of broker-dealers (BD), can be explained mainly by the rise in fees and commissions paid (34%), which was greater than the increase in fees and commissions received (30%), and the lower returns on financial investments. In contrast, brokers (B), which were affected by the liquidation of an entity with heavy losses in 2020, experienced a substantial improvement thanks mainly to the increase in fees and commissions received for the marketing of CISs (44%). The decrease in the profits of IFs was consistent with the decline in the number of entities in losses, due to the high level of concentration of this sector, especially in BDs, where only two firms account for more than half the profits.

– This report contains **three monographic exhibits:**

  • The first describes the most important features of the recent change in the monetary policy strategy of the European Central Bank (ECB).

  • The second addresses one of the ways of going public in the international markets which has attracted a great deal of attention in recent months, even though it is not a new phenomenon: Special Purpose Purchasing Companies (SPAC).

  • Lastly, the third exhibit summarises the results of the second supervisory action of the CNMV through mystery shoppers at bank branches.

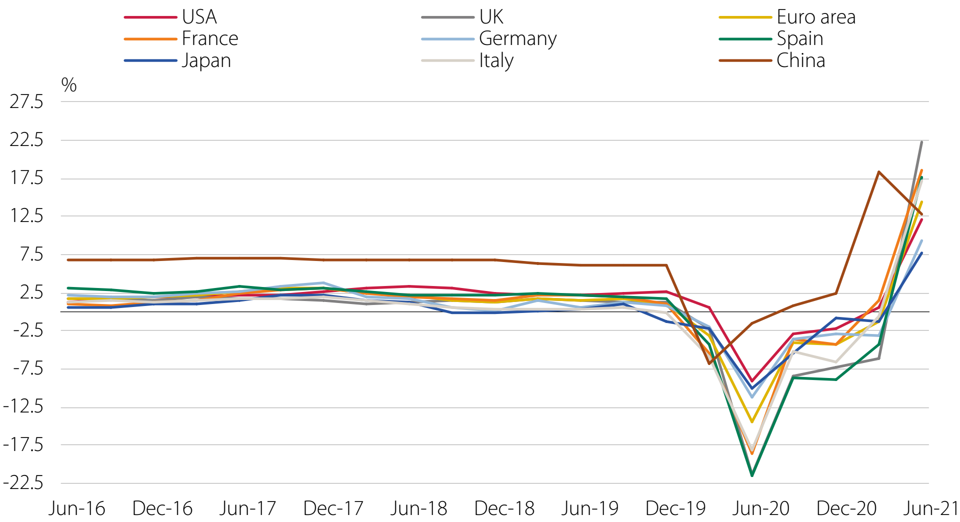
2 Macro-financial environment

2.1 International economic and financial performance

GDP data for the first half of the year show the economic recovery after the coronavirus crisis.

After the collapse in economic activity in all world economies caused by the coronavirus crisis in 2020, in the first half of this year a general but uneven economic recovery started to emerge (see Figure 1). In most economies, smaller year-on-year declines were seen in the first quarter of the year and there were strong increases in GDP in the second quarter. However, the pandemic continued to mark economic performance in the first half, in which the vaccination process was the driver of recovery and fears of new variants and waves of the virus were the main uncertainties.

Annual change in GDP FIGURE 1



Source: Refinitiv Datastream. Year-on-year GDP rates are shown for each quarter in all economies except China, where growth rates accumulated in the year are represented in year-on-year terms.

In most economies, activity decreased in the first quarter (to a lesser extent than in 2020) and rallied in the second.

The euro area economy showed a year-on-year fall of 1.2% in the first quarter of the year and an increase of 14.3% in the second (compared to falls of 3% and 14.5%, respectively in 2020). In this region, only France showed a slight positive variation in GDP in the first quarter (1.5%), and the decreases in the rest of the countries ranged between 0.7% and 4.2%. In the second quarter, boosted by the roll-out of the vaccination process, the GDPs of the European economies grew between 1.1% and 3.1% compared to the previous quarter and sharply in year-on-year terms: 9.4% in Germany, 10% in the Netherlands, 17.3% in Italy, 17.6% in Spain and 18.7% in France. In general, the scale of the year-on-year increases in the second quarter was due to comparisons with data for the second quarter of 2020, when GDP levels registered unprecedented decreases due to the pandemic. In the United Kingdom, GDP followed a similar trend, with a fall of 6.1% in the first quarter (the least severe since March 2020) and a growth of 22.2% in the second.

China remains slightly ahead in the economic cycle.

In the United States, GDP fell at a lower rate than in Europe at the height of the crisis, year-on-year increases were observed throughout the semester (0.5% in the first quarter and 12.2% in the second). Lastly, mention should be made of China, where economic activity data worsened more rapidly as the health crisis started earlier in this region but it also recovered earlier, showing positive annual growth in the third quarter of 2020. Accumulated activity in the first six-months of 2021 grew by 12.7% compared to the same period in 2020.

In September, the Federal Reserve kept its official interest rates unchanged in the range of 0.00-0.25%, and maintained its asset purchase programmes.

Previous issues of this report have described the measures adopted by central banks to address the pandemic, among which the cuts in official interest rates and significant increases in the amounts of the asset purchase programmes stand out. Most of these measures are still in force, although in some economies a partial withdrawal of stimuli is expected in the short term. For example, although at its last meeting in September the Federal Reserve kept its official rates in the range of 0-0.25% (the same levels as during the financial crisis, from 2008 to 2015) and its asset purchase programme unchanged (US$120 billion/month in Treasury bonds and mortgage assets), it warned that if the economic recovery continues as expected, these programmes will be tapered off. After the meeting, the projections of the members of the Federal Open Market Committee (FOMC) were also published, which indicate the possibility of the first rate hikes in 2022.[3] The central bank recognises that inflation is high, although it largely reflects temporary factors.

The ECB also resolved to keep its official interest rate unchanged but announced a slowdown in the pace of purchases under the PEPP. The adoption of a new monetary policy strategy stands out.

Along similar lines, at its September meeting, the ECB kept official interest rates unaltered (for large funding transactions, the marginal credit facility and deposits at 0%, 0.25% and -0.50% respectively), as well as the terms and conditions of its asset purchase programmes (APP).[4] However, the authority announced that a slight reduction in the pace of asset purchases under the pandemic emergency purchase programme (PEPP)[5] could be implemented with respect to the previous quarters, for the remainder of 2021, following an analysis of financial conditions and inflation expectations. Also noteworthy was the adoption of a new, more flexible monetary policy strategy in July (see Exhibit 1).

The Bank of England has kept its official interest rate and asset purchase programme unchanged.

Neither has the Bank of England made any relevant changes to its official interest rate, which remains at 0.1%, or its asset purchase programme, which stands at GBP 895 billion.[6]

Lastly, the Bank of Japan has not changed its official interest rate, which has been the same since the beginning of 2016, and has maintained the terms and conditions of its purchase programmes.

Lastly, at its September meeting, the Bank of Japan announced that it would keep its monetary policy unchanged – with the official interest rate at -0.10% (where it has been since the beginning of 2016) and without altering the conditions of its bond purchase programme (where the 10-year bond yield target remains close to 0%) – in addition to its asset purchase programmes.[7] In June, the institution announced the creation of an interest-free loan system for financial institutions that contribute to

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3 Half of the Federal Reserve FOMC members have forecast this rise. It should be mentioned that in September 2020, the authority was expected to keep rates in the range of 0-0.25% until 2024.

4 Net purchases under this programme will continue at a monthly rate of €20 billion for the time it takes to strengthen the impact of its official interest rates. These purchases are expected to stop shortly before the start of the ECB rate hikes.

5 The Governing Council will continue to make purchases under the Pandemic Emergency Purchase Programme (PEPP) until the end of March 2022, although at a slower pace than in previous quarters. The programme has a current endowment of €1.85 trillion.

6 Two of the nine members of the committee voted against this move, advocating a reduction of GBP 35 billion in the purchase target of the current government bond purchase programme.

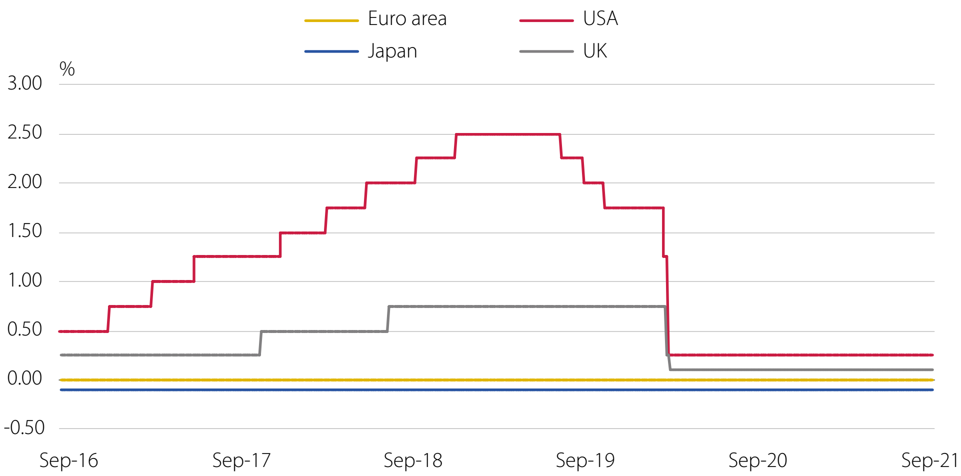
7 However, in June it extended the term of its asset purchase and loan programme by six months, which will now be completed in March 2022, compared to September 2021 previously.

supporting state initiatives to combat climate change.[8] On 22 September, it started accepting applications to carry out these transactions.

The performance of short-term rates in the third quarter of 2021 was very stable in the major economies, with slight falls only in the United States.

Given the official interest rates current in place in the world's leading economies, the differences between their short-term interest rates are very small compared to those registered before the COVID-19 crisis. In the third quarter of 2021, three-month interest rates were largely unchanged, with the exception of the United States, where slight decreases were observed. In this economy, interest rates ended September at 0.13%, just 2 basis points (bp) less than in June, although they have followed a downward path since the end of 2020 when they stood at 0.24% (the accumulated fall in the year is 11 bp). In the United Kingdom, short-term rates ended September at 0.08%, the same figure as in June and 6 bp higher than at the beginning of the year. Meanwhile, in the euro area and Japan, 3-month rates remained unchanged throughout the third quarter and in the year to date (-0.55% and -0.08%, respectively).

Official interest rates FIGURE 2



Source: Refinitiv Datastream. Data until 30 September.

The change in the ECB's monetary policy strategy EXHIBIT 1

The President of the European Central Bank (ECB), Christine Lagarde, announced in early 2020 a strategic review[1] of monetary policy to respond to the profound structural changes that have taken place in the European economy in the last 20 years (such as the fall in interest rates and the lower trend growth rate, in addition to globalisation, digitisation, changes in the financial system and risks related to climate change), in the context of two very severe crises that have led to the implementation of extraordinary and novel tools. Following this announcement, on 8 July, the ECB approved its new monetary policy strategy, which replaces the strategy in force since 2003.[2]

8 According to the guidance published at the last meeting, the funds will be provided for one year and this project is expected to continue until 2031 (unless it interferes with the normal development of the market). The first drawdowns of these loans are scheduled for December 2021 and will subsequently be offered biannually.

Before taking an in-depth look at this policy, it is important to distinguish between the mandate and the definition of central banks' objectives, since the former (the mandate) is enshrined in the Treaty on European Union (EU) and the Treaty on the Functioning of the European Union, under which they are assigned the primary mandate[3] of maintaining price stability, while the second (the objective) corresponds to the central banks themselves, which have to set a specific quantitative target. For the objective, the ECB enjoys greater flexibility, as demonstrated in the first review of its strategy in 2003, through which it defined its price stability objective through an inflation target of close to but below 2% over the medium term.

The new monetary policy strategy, which will be in force until 2025, when it will reviewed, considers that the best way to maintain price stability is through an inflation target of 2% over the medium term. Its commitment to this goal is symmetrical, in the sense that both positive and negative deviations from this objective are considered equally undesirable. Therefore, the 2% inflation target clearly anchors inflation expectations, which is essential for maintaining price stability. The ECB has pointed out that when inflation approaches 0%, particularly strong monetary policy measures are necessary to prevent negative deviations from the inflation target from taking hold, but that there may also be transitory periods in which inflation is moderately above target.

The ECB also confirmed the medium-term scope of its monetary policy, which allows for short-term deviations – as is currently the case, when inflation is clearly above 2% –, as well as lags and uncertainty in the transmission of monetary policy to the economy and to inflation. The monetary authority has also indicated that the main monetary policy instrument is the ECB's official interest rates but that it will also use forward guidance, asset purchases and long-term financing transactions, where appropriate. Furthermore, it will continue to respond flexibly to new challenges as they arise and consider new policy instruments, if proportionate and as needed, in the pursuit of its price stability target.

In short, this new strategy is more flexible, allowing for higher rates of inflation on a temporary basis without the need to tighten monetary policy and without any need to withdraw powerful tools such as purchasing programmes to stimulate the economy. Thus, the monetary authority gains flexibility to support economic growth and is clearly committed to maintaining long-term interest rates at low levels to stimulate the economy, even though this could imply periods of temporary price hikes.

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1 The Federal Reserve began a similar process in 2019, which ended in mid-2020, the fundamental aim of which was to adhere to an inflation target of 2% on average over time (following periods when inflation is below 2%, periods of higher inflation will be tolerated to compensate), for which it would take into account the situation of the labour market, favouring low levels of unemployment until they are no longer accompanied by an unwanted increase in inflation.

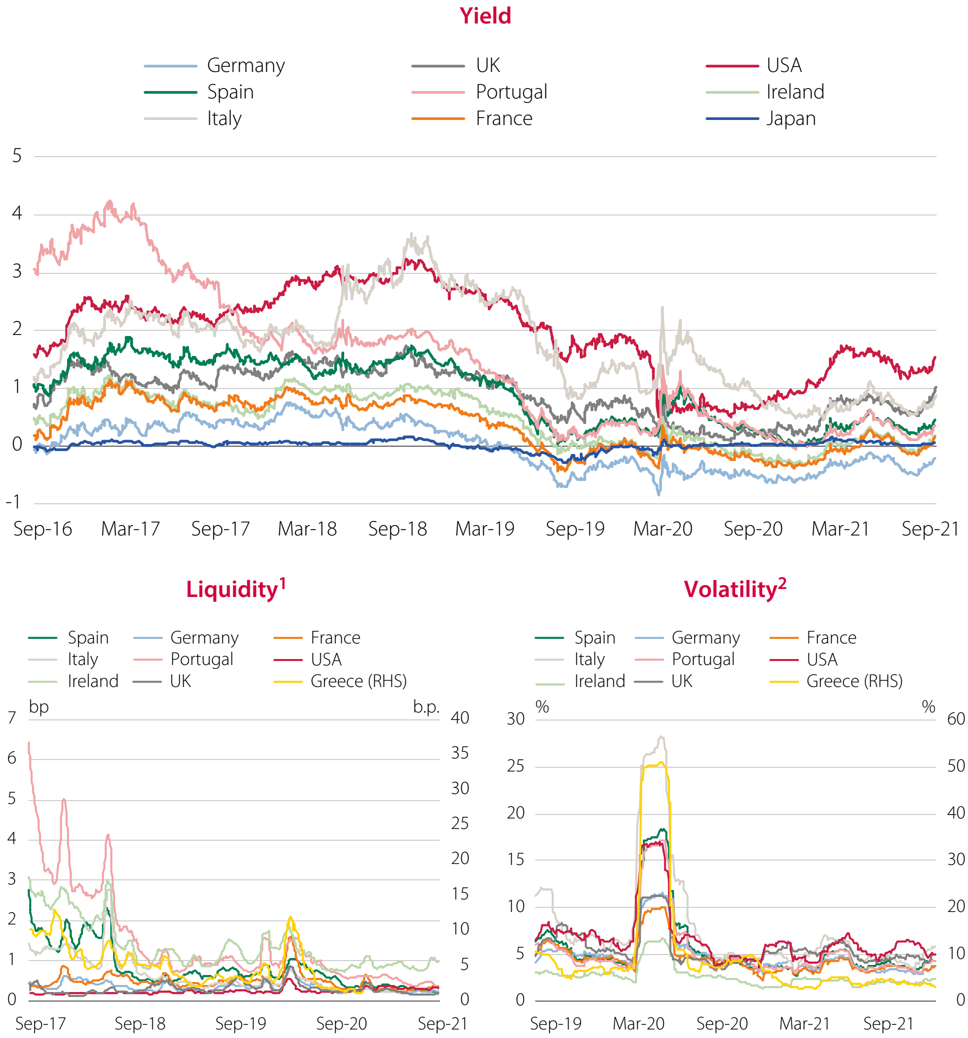
2 For further details, see https://www.bde.es/bde/es/Home/Noticias/el-consejo-de-gobierno-del-bce-apricación-su-nueva-estrategia-de-politica-monetaria.html

3 According to Article 127 of the recast text of the Treaty on the Functioning of the European Union (formerly Article 105 TEC).

The yield on 10-year public debt benchmarks increased slightly compared to the previous quarter in the major economies…

Long-term debt yields were relatively smooth during the third quarter of the year, with slight increases in most advanced countries. In a context of higher growth and rising in inflation, this performance extends the trend observed in the first months of the year, which was broken between May and July and affected the United Kingdom and United States more than other areas.

10-year sovereign bond market indicators FIGURE 3



Source: Bloomberg, Refinitiv Datastream and own calculations. Data until 30 September.

1 Monthly deviation of the daily bid-ask spread of 10-year sovereign bond yields.

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

…confirming an upward annual balance, in an environment of higher growth and inflation.

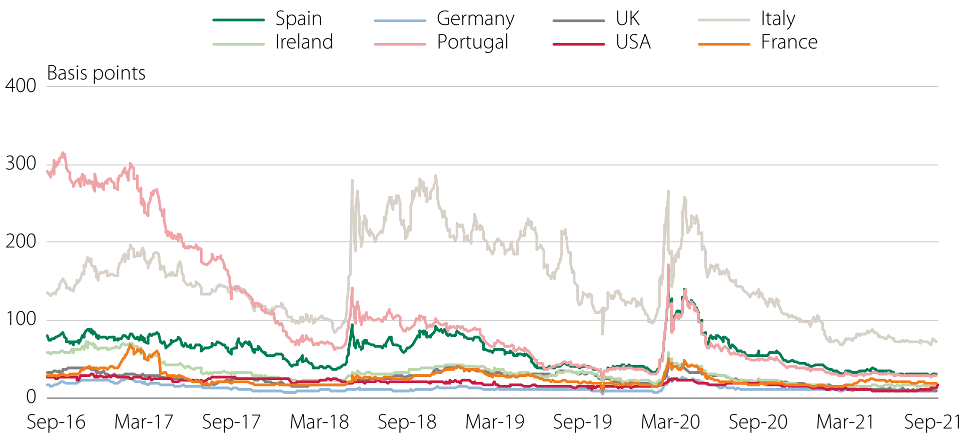
In particular, in the third quarter of this year, the yield on 10-year public debt benchmarks increased in the major economies, with the exception of Portugal, where it fell slightly to 0.37% (4 bp less than in June). In the euro area countries, the quarterly figures ranged from 1 bp for the German and Finnish bonds to 4 bp for the Spanish and Dutch bonds. The increases accumulated in the year are larger, and range from 38 bp for the German bond to 51 bp for the Belgian bond (41 bp for the Spanish instrument). In all, 10-year government debt yields remain low: in negative ground at the end of September in Germany, Finland and the Netherlands, close to zero in Austria, Ireland, Belgium, France, Spain and Portugal, and close to 1% in

Italy and Greece. In the United States, the yield on the sovereign bond rose by 8 bp compared to June, reaching 1.53%, although the accumulated increase in the year stood at 62 bp. The highest quarterly and annual increases in long-term debt yields were observed in the United Kingdom, of 31 bp and 83 bp respectively, to close September at 1.02% (see Figure 3).

Sovereign credit risk premiums experienced little variation in the third quarter…

Sovereign credit risk premiums in advanced economies (assessed through 5-year CDS contracts) generally registered slight decreases throughout the third quarter of the year, although this trend was interrupted in the second half of September. Thus, in the quarter as a whole there were slight rises, e.g., in Greece (6 bp), the United States (7 bp) and the United Kingdom (1 bp), and slight falls, e.g., in Italy (4 bp), and in France and Germany (1 bp). In Spain, there were no variations. In general, risk premiums are returning to the levels recorded before the COVID-19 crisis (see Figure 4). The accumulated falls in the year were strongest in peripheral euro area countries: 26 bp in Greece and 24 bp in Italy (to 75 bp and 74 bp, respectively), 13 bp (to 31 bp) in Spain and 10 bp in Portugal (standing at 28 bp at the end of September). The decline was of 2 bp in the United States and 6 bp in the United Kingdom, to 16 bp and 11 bp at the end of September, respectively.

Credit risk premiums for sovereign debt (5-year CDS) FIGURE 4



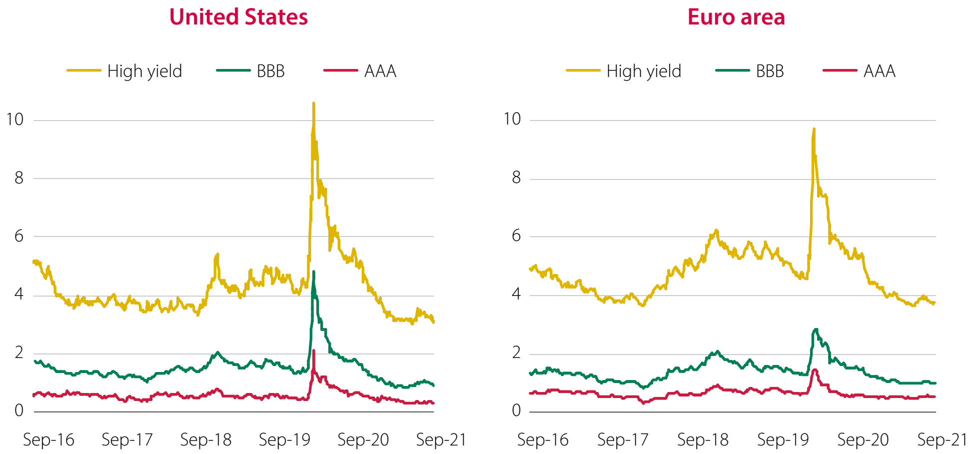
Source: Refinitiv Datastream. Data until 30 September.

…however, the credit risk premiums in the private fixed income markets showed slight increases. In the year as a whole, the risk premiums on IG and HY debt accumulated falls.

In contrast, credit risk premiums in the private fixed income markets rose slightly in the third quarter of the year in most debt segments in the United States and in the euro area. In both economies there were upturns in August, especially in the high yield debt segment, and decreases in September, which did not offset the previous rises. However, in the other quarters of 2021, the downward trend that began last year, after the rallies in March, continued. Thus, in the United States, the third quarter saw a small increase of 1 bp in the BBB and AAA tranches, to 92 bp and 31 bp, respectively. Meanwhile, risk premiums in the high yield segment ended September at 315 bp, the same figure as in June. In the euro area, the increase in credit risk premiums on corporate debt was 5 bp in the high yield segment, 1 bp in the BBB tranche and 4 bp in the investment grade tranche (standing at 375 bp, 99 bp and 50 bp respectively at the end of September). In the year as a whole, most of the debt segments registered decreases, which were more pronounced in the high yield debt tranche (91 bp in the United States and 69 bp in the euro area).

Private debt risk premiums.
Spread compared to the 10-year sovereign debt[1]

FIGURE 5



Source: Refinitiv Datastream and own calculations. Data until 30 September.

1 In the euro area in relation to German sovereign debt.

Gross debt issues in financial markets decreased 11.7% during the second half of the year. All regions saw falls, but there were differences between sectors.

Gross long-term debt issuance in the international markets in the second half of the year (semi-annualised data for the third quarter) decreased by 11.7% compared to the second half of 2020, to stand at €6.5 trillion. Increases in the amount of the issues made were observed in the financial sector (30.7%), which did not offset the decrease in issues from both the public sector (21.0%) and the non-financial private sector (5.7%). By region, all economies registered fewer debt issues, although the 21.9% decline in Europe stands out, mainly due to the drop in sovereign issues.

The decrease in gross sovereign issues stands out, especially in Europe.

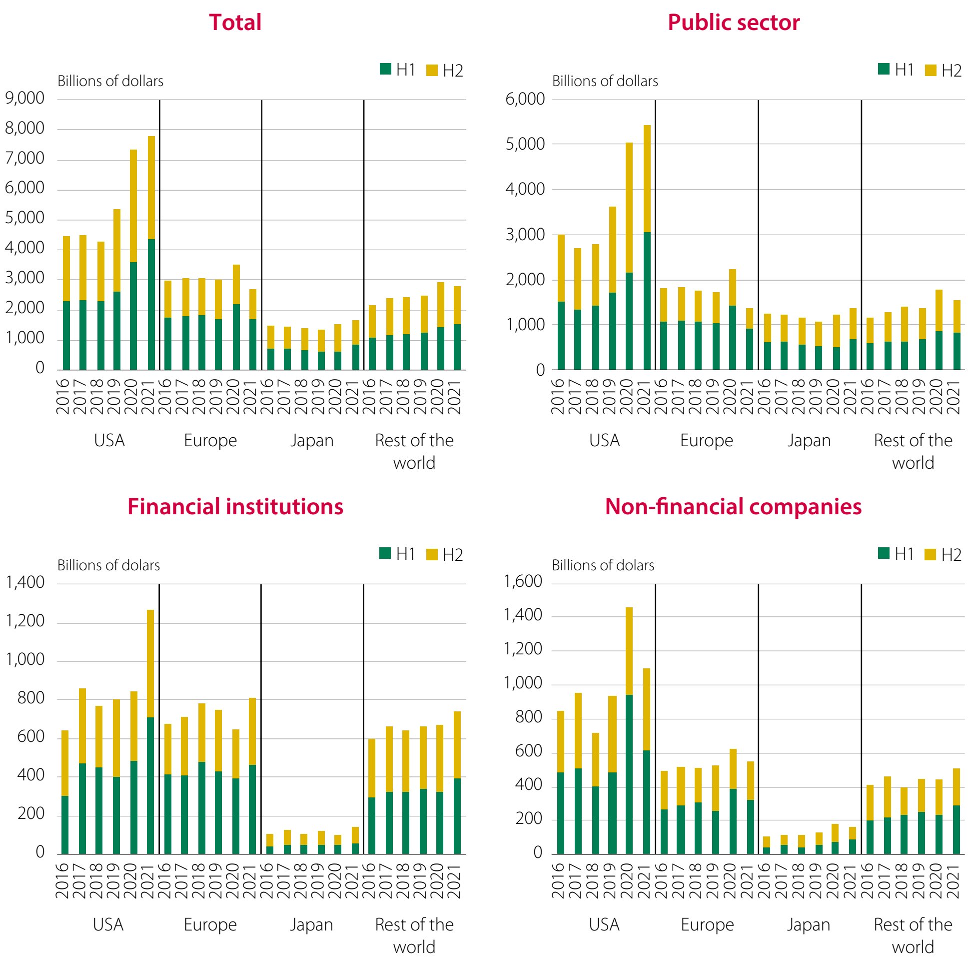
Gross sovereign debt issues as a whole decreased by 21.0% compared to the second half of 2020, to US$4.2 trillion, in a context of lower financing needs after the crisis. Falls were observed in all regions, although they were larger in Europe (down 45.4%, to US$430.7 billion). In the United States and Japan, the declines were less pronounced at 17.1% and 4.6%, respectively.

The trend in the private sector was uneven between subsectors, with increases in the financial sector and decreases in the non-financial sector.

In relation to private sector debt issues, the trend was uneven between subsectors, with increases in the financial sector and decreases in the non-financial sector. The half-yearly aggregate amount of the former was US$1.3 trillion (30.7% more than in the second half of 2020), shaped largely by the increases seen in the United States and Japan (above 50% compared to the second six-months of the previous year). In Europe, there were also increases, although they were somewhat less marked (35%). Non-financial companies saw a drop in debt issuance of 5.7% compared to the second half of 2020 (standing at US$995 billion). All regions posted falls, although they were larger in Japan (-27.9% to US$72.12 billion). In the United States and Europe, the declines were close to 5%, to US$482.75 billion and US$221.5 billion, respectively.

International gross fixed income issues

FIGURE 6



Source: Dealogic. Half-yearly data. The data for the second half of 2020 are until 30 September, but are shown in their half-yearly equivalences for comparative purposes.

After two quarters of significant revaluations (except for the Japanese indices in the second quarter of the year), equity markets showed smaller gains between July and September, and even falls in some cases. In mid-September, the rising trend marked by the indices was affected, in part, by fears that the potential default of Chinese real estate developer, Evergrande, could have a knock-on effect in the global financial markets and also by concerns over the spike in inflation and problems in some supply chains. However, the increases recorded in the previous quarters continue to represent annual gains of over 10% in most indices (see Table 1).

Equity markets showed smaller gains in the third quarter compared to the previous periods, with falls in some indices.

By region, the Japanese stock markets showed the largest revaluations in the quarter (2.3% for the Nikkei and 4.5% for the Topix), which offset the losses made in the previous quarter. In 2021 they have accumulated gains of 7.3% and 12.5%, respectively. The US indices presented an uneven performance as the S&P 500 increased slightly compared to June (0.2%), while the Dow Jones and the Nasdaq technology indices lost 1.9% and 0.4%, respectively. The annual balance shows strong increases in the three indices, ranging between 10.6% (Dow Jones) and 14.7% (S&P 500). The European stock markets were also somewhat uneven, with quarterly increases in the French and Italian indices (0.2% and 2.3%, respectively), decreases in the German index (1.7%), and very few changes in the Spanish index (0.3%). However, so

By region, the revaluation of the Japanese stock markets stood out.

far this year all European indices have registered gains that range between 9.0% (Ibex 35) and 17.4% (Cac 40). The UK FTSE 100 rose 0.7% in the third quarter, with an accumulated gain of 9.7% in the year.

Performance of the main stock market indices[1] TABLE 1

%

	2017	2018	2019	2020	I 21	II 21	III 21	% / Dec-20
World								
MSCI World	20.1	-10.4	25.2	14.1	4.5	7.3	-0.4	11.8
Euro area								
Eurostoxx 50	6.5	-14.3	24.8	-5.1	10.3	3.7	-0.4	13.9
Euronext 100	10.6	-11.2	24.9	-3.6	8.3	5.8	0.9	15.6
Dax 30	12.5	-18.3	25.5	3.5	9.4	3.5	-1.7	11.2
Cac 40	9.3	-11.0	26.4	-7.1	9.3	7.3	0.2	17.4
Mib 30	13.6	-16.1	28.3	-5.4	10.9	1.8	2.3	15.5
Ibex 35	7.4	-15.0	11.8	-15.5	6.3	2.8	-0.3	9.0
United Kingdom								
FTSE 100	7.6	-12.5	12.1	-14.3	3.9	4.8	0.7	9.7
United States								
Dow Jones	25.1	-5.6	22.3	7.2	7.8	4.6	-1.9	10.6
S&P 500	19.4	-6.2	28.9	16.3	5.8	8.2	0.2	14.7
Nasdaq-Composite	28.2	-3.9	35.2	43.6	2.8	9.5	-0.4	12.1
Japan								
Nikkei 225	19.1	-12.1	18.2	16.0	6.3	-1.3	2.3	7.3
Topix	19.7	-17.8	15.2	4.8	8.3	-0.5	4.5	12.5

Source: Refinitiv Datastream.

1 In local currency Data until 30 September.

Emerging equity markets performed relatively well in the third quarter, although they were more diverse compared to indices in the advanced economies.

Emerging equity markets generally showed a relatively good performance in the third quarter of the year, with rises in many of the stock market indices. However, the MSCI emerging equity index fell slightly in the quarter, down 0.4% (in the year it has gained 11.8%). For stock markets in developed economies, the revaluations were smaller in this quarter compared to previous ones, with a positive balance in the year to date for most indices.

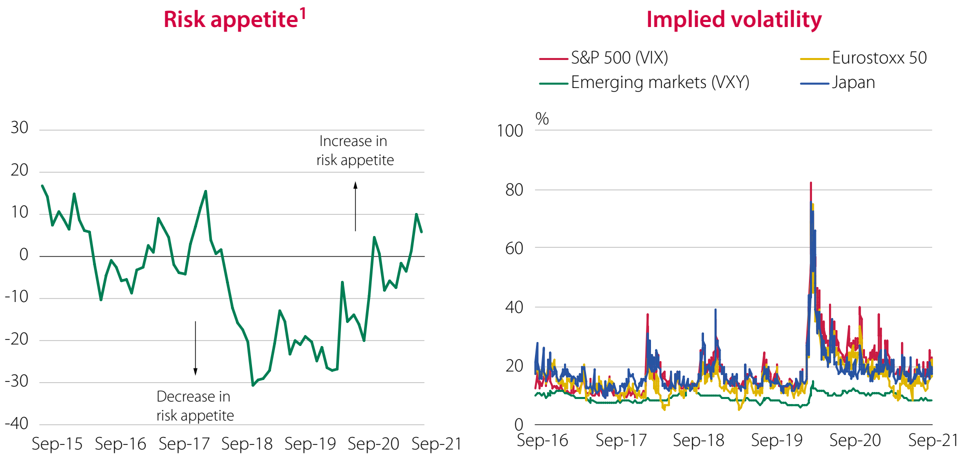
The strongest rallies were observed in the Latin American stock markets, while the Asian markets saw the largest falls.

By region, the Asian indices showed diverse behaviour, and also experienced the greatest drops in the quarter. These ranged from 0.6% in China to 14.8% in Hong Kong (affected by the possible default of Evergrande, which is listed on this market, as well as fears of increased regulatory pressure from China). Other Asian indices posted quarterly gains of between 0.3% (Malaysia) and 11.7% (India). The accumulated balance of the year shows revaluations in most of the indices (India stands out, with 26.8%, and Taiwan, with 14.9%), but there have also been some losses (the most notable being that of the Hang Seng, 9.8%). In Latin America, the revaluation of the Argentine Merval index stood out (24.0% in the quarter and 51.0% in the year). However, other indices showed quarterly drops (of 12.5% and 3.0% in the Brazilian and Peruvian stock exchanges, respectively) and in the year to date (6.8% and 12.2%, respectively, for the same indices). In Eastern Europe, the performance was more aligned in the third quarter, with gains of between 5.0% (Bulgaria) and 11.9% (Hungary). For the year as a whole, these indices have accumulated gains of over 23% (except for the Croatian Crobex index, with 14.9%).

The implied volatility measures of the main stock indices continued to follow the downward path seen in previous months in the third quarter of the year and remained between 12% and 17%, except for the Nasdaq, which has been rallied strongly throughout the year. Although these indicators increased slightly in the last days of the quarter, the overall downward trend prevails, placing them a long way below the highs recorded last year at the moments of greatest uncertainty in the COVID-19 crisis (when they were between 24% and 49%) and, on average, at levels slightly higher than those of 2019 (except for the Nasdaq index).

The implied volatility measures of the main shock market indices continued their downward trend in the third quarter of the year.

Indicators relating to financial markets FIGURE 7



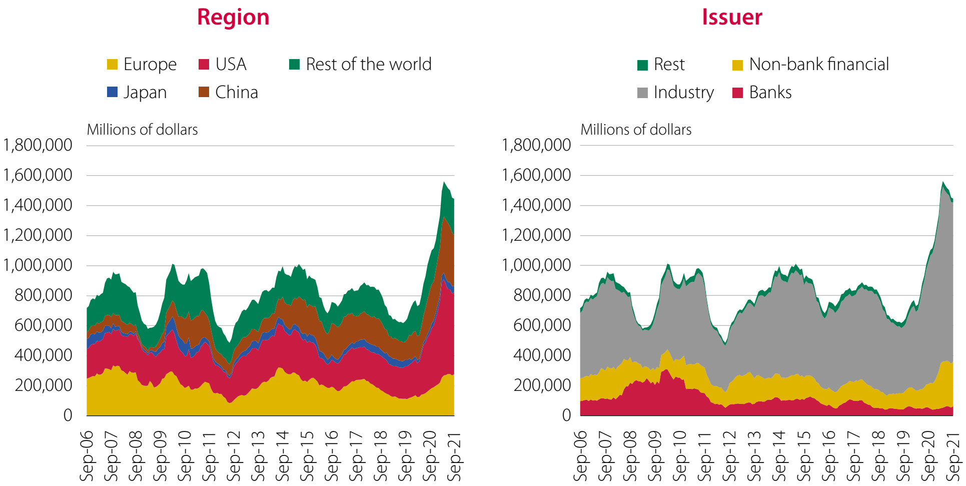
Source: Refinitiv Datastream and own calculations.

1 State Street indicator.

Equity issuance on international financial markets decreased slightly in the third quarter of 2021, reaching US$273.80 billion, nearly US$70.40 billion less than one year ago. By sector, there was a sharp decrease in issues made by utilities companies (69.1% compared to last year) and companies in the industrial sector (22.2%). In all other sectors, the decreases with respect to the third quarter of 2020 were less pronounced, standing at 8.0% for the banking sector and 4.2% for the non-bank financial sector. Despite the decline in this quarter, the accumulated balance for the year shows strong gains in all the regions considered compared to the same period of the previous year, which range from 8.8% in Japan to 54.4% in Europe. In aggregate terms, issues made between January and September stood at US$1.1 trillion, practically the same as the amount issued throughout the whole of 2020.

The volume of equity issues decreased slightly in the third quarter of 2021, although increases were observed for the year as a whole, especially in Europe and in the financial sector.

International equity issues FIGURE 8



Source: Dealogic. Accumulated data for 12 months to 30 September.

2.2 Domestic economic and financial performance

The GDP of the Spanish economy showed an increase of 1.1% in the second quarter of the year, confirming the economic recovery…

In the second quarter of 2021, the GDP of the Spanish economy grew by 1.1% compared to the first quarter[9] and 17.5% compared to the same quarter of the previous year. The year-on-year change is so high because it is compared to the product level for the second quarter of 2020, which was the most affected by the pandemic. The product level for the second quarter of this year is 8% lower than the average levels for 2019. In all, GDP data show that the Spanish economy is on the road to recovery, a trend which is expected to continue in the coming months, as the (presumably) favourable tourism data for the summer months will be incorporated.

… which in this quarter was based on the recovery of private consumption. This increased 4.7% compared to the previous quarter and close to 23.4% compared to the second quarter of 2020, during the lockdown period.

The most significant data in the second quarter referred to the strong recovery of private consumption, which grew by 4.7% compared to the previous quarter (and 23.4% in the year) and to a lesser extent that of public consumption (0.9% in the quarter and 3.9% in the year). Gross capital formation fell 2.2% compared to the first quarter but also showed a year-on-year change of 19%. The performance of the foreign sector was also positive, with quarterly rises in exports (0.9%) and imports (4.2%), which led to a positive year-on-year change for the first time since the fourth quarter of 2019. The contribution of this sector to growth was positive, although small in size, which had not occurred since the last quarter of 2019.

The analysis of supply shows strong increases in the added value of the main sectors, highlighting some specific services that were strongly affected by the pandemic.

Significant increases in supply were observed in year-on-year terms in all sectors of activity except in the primary sector, in which added valued fell by 6.7% in the year. Construction and services once again presented positive annual rates, after five negative quarters, with increases of 11.7% and 17.6%, respectively. The added value of the industrial sector boosted the growth that it had already shown in the first quarter of the year, standing at 23.7%. In the services segment, the recovery of some subsectors that were strongly affected by the pandemic stands out: in particular, the improvement in the commerce, transport and hospitality subsector, with annual

9 The first estimate of this increase (published in July) was 2.8%.

growth of 46.9%; the subsector of professional, scientific and technical activities, up 21%, and the subsector related to artistic, recreational and other services, up 19.3%.

Spain: main macroeconomic variables TABLE 2

Year-on-year % change

	2017	2018	2019	2020
GDP	**3.0**	**2.3**	**2.1**	**-10.8**
Private consumption	3.0	1.8	0.9	-12.2
Public consumption	1.0	2.3	2.0	3.3
Gross fixed capital formation, of which:	6.8	6.3	4.6	-9.6
Construction	6.7	9.5	7.2	-9.6
Capital goods and others	9.2	4.7	3.3	-12.9
Exports	5.5	1.7	2.5	-20.1
Imports	6.8	4.0	1.2	-15.2
Foreign sector (contribution to growth, pp)	-0.2	-0.6	0.5	-2.2
Employment[1]	**2.9**	**2.6**	**2.3**	**-7.5**
Unemployment rate	**17.2**	**15.3**	**14.1**	**15.5**
Consumer Price Index[2]	**2.0**	**1.7**	**0.7**	**-0.3**
Current account balance (% GDP)	**2.8**	**1.9**	**2.1**	**0.7**
Balance of public administrations[3] (% GDP)	**-3.0**	**-2.5**	**-2.9**	**-11.0**
Public debt (% GDP)	**98.6**	**97.4**	**95.5**	**119.9**
Net international investment position[4] (% GDP)	**-68.0**	**-61.7**	**-59.0**	**-60.5**

Source: Refinitiv Datastream, European Commission, Bank of Spain and INE.

1 In terms of full-time equivalent jobs.

2 The European Commission forecasts are from the harmonised consumer price index.

3 Includes the public aid to credit institutions in 2017, 2018, 2019 and 2020 is included for an amount of 0.04%, 0.01%, 0.00% and 0.88% of GDP respectively. The increase registered in 2020 corresponds to the reclassification of the SAREB under public administrations, required by Eurostat, whose figures are computed in this section.

4 Excluding the Bank of Spain. Assets minus liabilities.

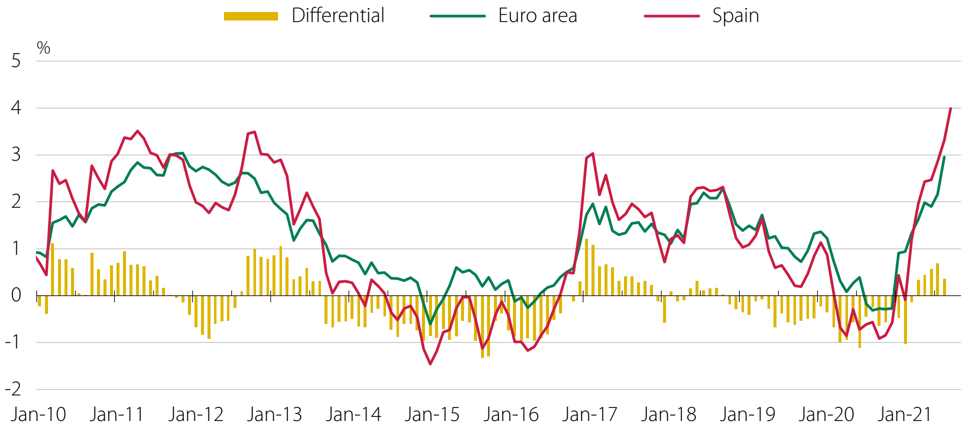
The rise in energy prices has led to an increase in total inflation of close to 5 pp since November last year. The latest data, which correspond to the month of September, places the annual rate at 4%.

The inflation rate has steadily increased from the lows recorded in November last year, when it stood at an annual rate of -0.8%, with the sole exception of the month of March. The latest data, which correspond to September, place the annual rate at 4%, almost 5 percentage points (pp) above these lows, mainly due to the rebound in the energy component, where prices have moved from a fall of 11.1% (in October 2020) to an increase of 23.5% (in August 2021). The remaining index constituents have also shown higher inflation rates, albeit of a lesser intensity: underlying inflation, which discounts the most volatile elements of the index (energy and fresh food), has shown a somewhat irregular performance but has risen slightly to 0.7% in August (0.1% in December 2020). The upturn in inflation in the euro area in recent months has been similar (see Figure 9), with the Spain-euro area spread, which entered positive ground in April, has ranged between 0.4 pp and 0.7 pp since then.

The labour market is evolving favourably, in line with economic activity, but figures have not yet returned to pre-crisis levels.

The labour market has performed in line with the recovery of economic activity. The number of employed workers (according to the Labour Force Survey (EPA)) stood at over 19,670,000 in the second quarter of 2021, 5.7% more than in the same quarter the previous year. This figure is close to but lower than pre-pandemic levels (almost 20 million employed workers at the end of 2019). The unemployment rate stood at 15.3% of the workforce in the same quarter, 1 pp below the high recorded in the third quarter of last year, but above pre-crisis figures (below 14%).[10]

Harmonised CPI: Spain compared to the euro area (annual % change) FIGURE 9



Source: Refinitiv Datastream. Data to August for the euro area and to September for Spain.

The deficit of the Public Administration Service (excluding local corporations) stood at 4.3% of GDP in the first seven months of the year, 30% less than in 2020. Public debt fell in the second quarter of the year by 2.5 pp of GDP to 122.8%.

The deficit of the Public Administration Service (not including local corporations) between January and July this year stood at 4.3% of GDP, which represents a decrease of 29.6% compared to the same period of the previous year. The recovery of economic activity is giving rise to a notable increase in non-financial income, which in the case of the government was 14.4%, compared to an increase in expenses of 3.3%. The government deficit, with data available up to August, stood at 4.2% of GDP, below the 5.4% figure seen in 2020. All other local governments showed stability or an improvement in their fiscal balances in the first seven months of the year: the surplus of the autonomous communities went from 0.23% of GDP to 0.20%, and the Social Security fund deficit decreased from 1.44% to 0.41%. Public debt data for the second quarter of this year place this indicator at 122.8% of GDP, below the 125.3% seen in the first quarter, but still above the levels of reached in previous years (119.9% at year-end 2020 and 114% at year-end 2019). Forecasts made by different institutions[11] place this year's public deficit at around 8% of GDP and public debt between 117% and 120% of GDP.

The banking sector is recovering in line with all other sectors, reporting strong profit growth and a containment of non-performing loans, which may increase in the coming months.

The banking sector is gradually recovering, in line with all other sectors and economic activity in general. This improvement is reflected in the profit and loss account, with increases in the main headings, while the delinquency ratio continues to decline (4.4% in July 2021, 4.5% in 2020 and 4.8% in 2019, see Figure 10). This ratio has not yet been affected by the possible increase in insolvencies in the coming

10 It should be noted, in contrast to 2020, the unemployment rate is being conditioned by the notable increase in the workforce (between March and June the number of employed workers increased by almost 355,000 and by more 1.2 million compared to the same quarter of 2020). These workers were mainly unemployed to begin with, so the increase prevents any more pronounced falls in the total unemployment rate in the short term. Additionally, workers on furlough (ERTE), who are also not included in the unemployment rate as, under Eurostat and International Labour Organization (ILO) methodology, they are considered to be employed, stood at around 450,000 at the end of June, compared to 1.5 million one year earlier.

11 Bank of Spain, European Commission and IMF.

months, the evolution of which depends not only on the scale of the economic recovery, but also on the completion of the government support measures rolled out during the crisis and on banks' own management activity (e.g., debt restructurings). This year, the lifting of the restrictions on the distribution of dividends established during the COVID-19 crisis last year stands out. The sector is still facing major challenges, such as the emergence of companies with a strong technological component (Fintech and Bigtech), that are competitors in the provision of financial services.

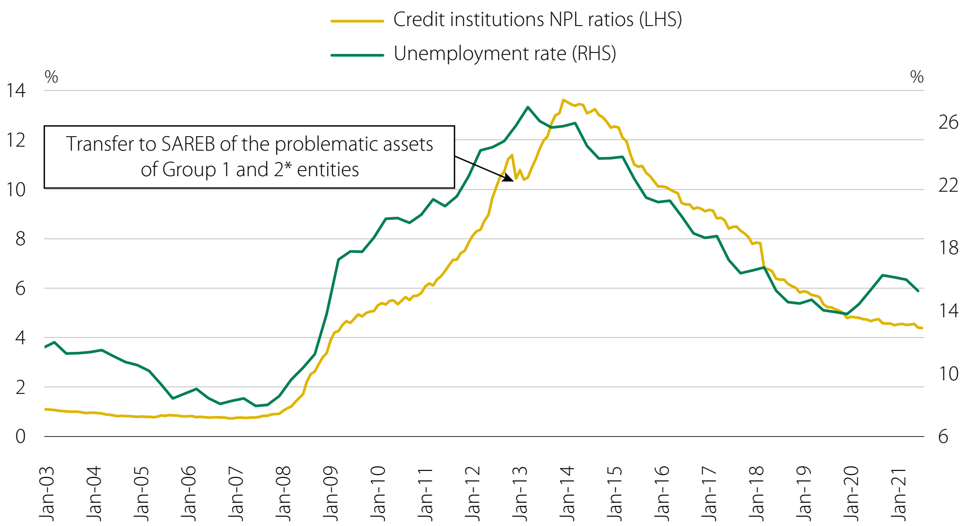
The aggregate profit & loss account of deposit institutions showed a strong increase in profit in the first half of the year.

The profit and loss account of Spanish deposit institutions saw profits of €7.76 billion in the first quarter of the year, which contrasts with the losses made in the previous year (€7.14 billion). The gross margin of these institutions stood at €21.99 billion, outstripping the figure of €20.79 billion in 2020, as a result of the slight improvement in net interest income and, to a greater extent, in the return on equity instruments. In the context of a slight decrease in operating expenses, most of the increase in profits can be attributed to lower impairment losses on financial and other assets (€9 billion less) and to the increased contribution from "Other income" (€4 billion).

Financing to the private sector shows an uneven trend between companies (slowdown) and households (acceleration).

Bank financing extended to companies and households showed year-on-year growth of 1.6% in August (3.3% in December 2020), broken down into an increase of 2.1% for non-financial companies (6.3% in December 2020) and 0.9% for households (-0.5% in December 2020). There are some interesting trends in both of these segments. For non-financial companies, the increase in financing corresponds exclusively to the rise in debt securities (9.4%) and foreign loans (5.7%). Loans from credit institutions, which have grown at an annual rate of over 8% in many months during the crisis, driven in part by the different government measures, have fallen since May (-2% in August). Meanwhile, financing extended to households showed a smaller increase (0.9%), but has been growing over time, boosted by loans for home purchases (0.7%) and consumer loans (3.2%).

Delinquency ratio of credit institutions[1] and unemployment rate[2] FIGURE 10



Source: Bank of Spain and INE. Unemployment rate data up to June and delinquency ratio up to July.

1 Includes financial credit institutions.

2 In relation to the working population.

* Transfers of Group 1 entities took place in December 2012 (€36.70 billion) and Group 2 entities in February 2013 (€14.01 billion).

The size of the banking sector has shown little change in 2021 after the notable increase in 2020.

The size of the banking sector, which experienced a considerable increase in 2020, has shown a much more stable performance in 2021. The latest data (July) place the aggregate volume of assets relating to its activity in Spain at €2.89 trillion (€2.82 trillion in 2020 and €2.61 trillion in 2019). The fall in the balance of credit extended to ORS (other resident sectors) in Spain and the increase in credit to residents in the rest of the world stand out. Financing provided by the Eurosystem continues to rise, in addition to deposits from other resident sectors and fixed income securities. However, the assets of these entities have decreased slightly.

The household savings rate fell slightly in the second quarter of this year, although it remains at historically high values (13%).

The latest data on the financial position of households reveal a slight decrease in savings from 16.2% of gross disposable household income (GDHI) in the first quarter of this year[12] (historic high of the series) to 13% in the middle of the year. This figure is still higher than in the pre-crisis period (by around 6%) and also compared to the previous highs reached in 2010, during the European sovereign debt crisis (11.5%). Part of this increase is due to precautionary savings, which usually occurs in periods of uncertainty, and part is due to certain consumption decisions failing to materialise due to restrictions during the pandemic. Therefore, this indicator could moderate further in the coming months. The gross wealth ratio increased in the first quarter of this year due to the rise in value of both financial and real estate assets, while the debt ratio remained stable (at 102% of GDHI).

Household financial investment was at its highest level since 2006, standing at 7.4% of GDP in the first quarter of the year. Part of this increase may be temporary (associated with certain elements of the pandemic), but another part (e.g., investment in investment funds) is part of a more extended trend.

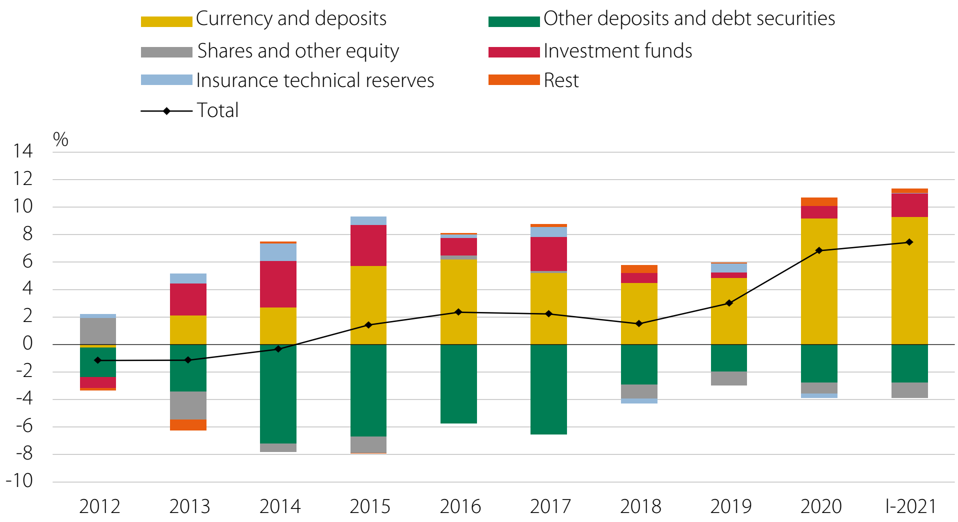
Household net investments stood at 7.4% of GDP in the first quarter of the year – accumulated data for four quarters to March 2021 – above the 6.8% seen in 2020 and 3% in 2019 (and the highest value since 2006). Some of the trends observed in previous years, such as the increase in investment in means of payment, which went from 5% of GDP in 2019 to 9.3% in March 2021, were accentuated during the crisis for the same reasons described for the increase in savings. In addition, there were further divestments of fixed income securities and time deposits (-2.8%), which continue to offer unattractive returns. In contrast, investment in investment funds, which stood at 1.7% of GDP, continues to grow (0.9% in 2020 and 0.4% in 2019) as these are considered as a professionally-managed investment option that can satisfy the needs of investors in a context of very low interest rates. Increases were seen in vehicles registered with the CNMV and in foreign vehicles marketed in Spain.

Investment in investment funds marked a historical rise in the first half of 2021, exceeding €17 billion.

The large volume of flows into investment funds registered with the CNMV so far this year is worth noting, standing at over €17 billion in one six-month period (the highest half-yearly amount since mid-2015, when it exceeded €20 billion). Although the figures for this period have been affected by several mergers and takeovers involving large funds, most of the net subscriptions are still directed at riskier categories such as global funds or international equity funds. Two of the more conservative categories (fixed income and mixed fixed income) also received substantial investment flows. These patterns reveal that are still investors who are willing to take on a higher level of risk to obtain a higher return and others that are more risk averse, for whom capital preservation is very important.

12 Figures for four quarters, to March 2021.

Households: net acquisitions of financial assets FIGURE 11



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

2.3 Outlook

In October, the International Monetary Fund (IMF) published its growth forecasts for 2021 and 2022, which show the intensity of the economic recovery on a global scale, with a rise in world GDP of 5.9% in 2021 and 4.9% in 2022 predicted (in July one tenth of a point more was forecast for 2021 and the same figure for 2022), after the 3.1% contraction in 2020. This trend is due to the vaccination uptake and access to it, which reduces infections and hence restrictions on movement, and allows economic activity to progressively return to normal. These figures, however, represent a significant downward revision of growth forecasts for this year in advanced economies compared to July data, which, according to the institution, is partially related to supply chain problems. Thus, the IMF expects advanced economies to grow 5.2% in 2021 (0.4 pp less) and 4.5% in 2022 (0.1 pp more). Within these forecasts, there is a great deal of unevenness, with decreases in the United States, Canada, Germany, Spain and Japan, and increases in Italy and France (see Table 3). The forecasts for emerging economies show an increase in GDP of 6.4% this year (one tenth of a point more) and 5.1% in 2022 (one tenth of a point less). In these economies too there are differences between regions, as the outlook for Asian countries has worsened but there has been an improvement for all others.

The IMF forecasts substantial global growth of 5.9% in 2021 and 4.9% in 2022, due to the progress in the vaccination programme, although it has lowered its forecasts for advanced economies due to supply chains problems.

Gross Domestic Product

TABLE 3

Year-on-year % change

	2017	2018	2019	2020	IMF[1] 2021	IMF[1] 2022
Global	3.7	3.6	2.8	-3.1	5.9 (-0.1)	4.9 (0.0)
Advanced	2.4	2.3	1.6	-4.5	5.2 (-0.4)	4.5 (0.1)
United States	2.2	2.9	2.2	-3.4	6.0 (-1.0)	5.2 (0.3)
Euro area	2.4	1.9	1.3	-6.3	5.0 (0.4)	4.3 (0.0)
Germany	2.5	1.5	0.6	-4.6	3.1 (-0.5)	4.6 (0.5)
France	2.3	1.8	1.8	-8.0	6.3 (0.5)	3.9 (-0.3)
Italy	1.5	0.8	0.3	-8.9	5.8 (0.9)	4.2 (0.0)
Spain	3.0	2.4	2.0	-10.8	5.7 (-0.5)	6.4 (0.6)
United Kingdom	1.7	1.3	1.4	-9.8	6.8 (-0.2)	5.0 (0.2)
Japan	1.7	0.3	0.0	-4.6	2.4 (-0.4)	3.2 (0.2)
Emerging	4.7	4.5	3.7	-2.1	6.4 (0.1)	5.1 (-0.1)

Source: IMF.

1 In parentheses, the variation compared to the last published forecast (IMF forecasts published in October 2021 with respect to July 2021).

Among the main risks, those relating to the pandemic itself stand out, but there are others of an economic and financial nature, such as the risk of inflation or those deriving from the debt accumulated by some agents, or the increasing risks affecting investment decisions.

These forecasts imply several different types of risk. First, risks relating to the evolution of the pandemic. In particular, in regard to the difficulties involved in successfully vaccinating a large percentage of the population in all regions and the possibility of new mutations of the virus resistant to the vaccines could emerge and create the need for new restrictions. There are major uncertainties relating to the possibility that the increase in inflation experienced in some economies will not be temporary, as currently expected, as this could lead to tighter financial conditions. In relation to the risk of inflation, it is worth mentioning the problems identified in certain supply chains, which could lead to logistics problems and further increases in the price of raw materials. Financial risks have also been identified by some agents, deriving from the debt accumulated during the crisis and the greater risks taken in the environment of very low interest rates. Many economies face the challenge of consolidating their public finances after the expansionary measures adopted during the crisis. Lastly, there is still a large possibility of insolvencies in the coming months, although expectations have been lowered.

The latest forecasts place the growth of the Spanish economy at 5.7% for this year and 6.4% for next.

For the Spanish economy, the IMF forecasts an increase in GDP of 5.7% this year and 6.4% next year, which represents a decrease of 5 tenths of a point and an increase of 6 tenths of a point, respectively, on the figures seen in April. The downward revision for this year could be partially related to the reduction in the growth rate of the Spanish economy during the second quarter of the year (compared to the initial estimate of the INE). Nonetheless, growth forecasts for Spain are higher than the forecasts for most advanced economies and owed mainly to the good progress of the vaccination programme, which has allowed many restrictions to be lifted, the release of demand held up early in the pandemic and the positive effects of the expansionary monetary and fiscal policy, which includes the Next Generation EU (NGEU) programme funds. The growth differential with the euro area is expected to be larger than 2 pp in 2022.

The main sources of uncertainty in this scenario are mostly common to neighbouring countries. These include: i) the evolution of the pandemic itself and, in particular, the possibility that vaccine-resistant strains of the virus will emerge; ii) the evolution of household savings (currently at historical highs); iii) the effects of the increase in inflation; iv) the possibility of an increase in business bankruptcies as the support measures adopted as a result of the crisis are withdrawn; v) uncertainty surrounding the effects of NGEU funds on activity; and vi) the need to ensure the sustainability of public finances over the medium term.

However, several sources of uncertainty of a diverse nature persist, which are common to neighbouring countries.

3 Domestic market performance

The Spanish financial markets stress indicator[13] continued to steadily decline after the closing date of the previous report (31 March), when it stood at 0.26, until the beginning of June, when it held stable at around 0.20 throughout the month. In July, volatility spikes in oil and stock prices caused the stress level to rise to just over the threshold that separates low risk from medium risk (0.27) and from then on it has fluctuated between 0.23 and 0.30, reaching the last value at the closing date of this report (1 October). The correlation of the system, which had decreased in the first half of 2021, rebounded from June and has remained at values similar to those existing during the coronavirus crisis (see upper panels of Figure 12).

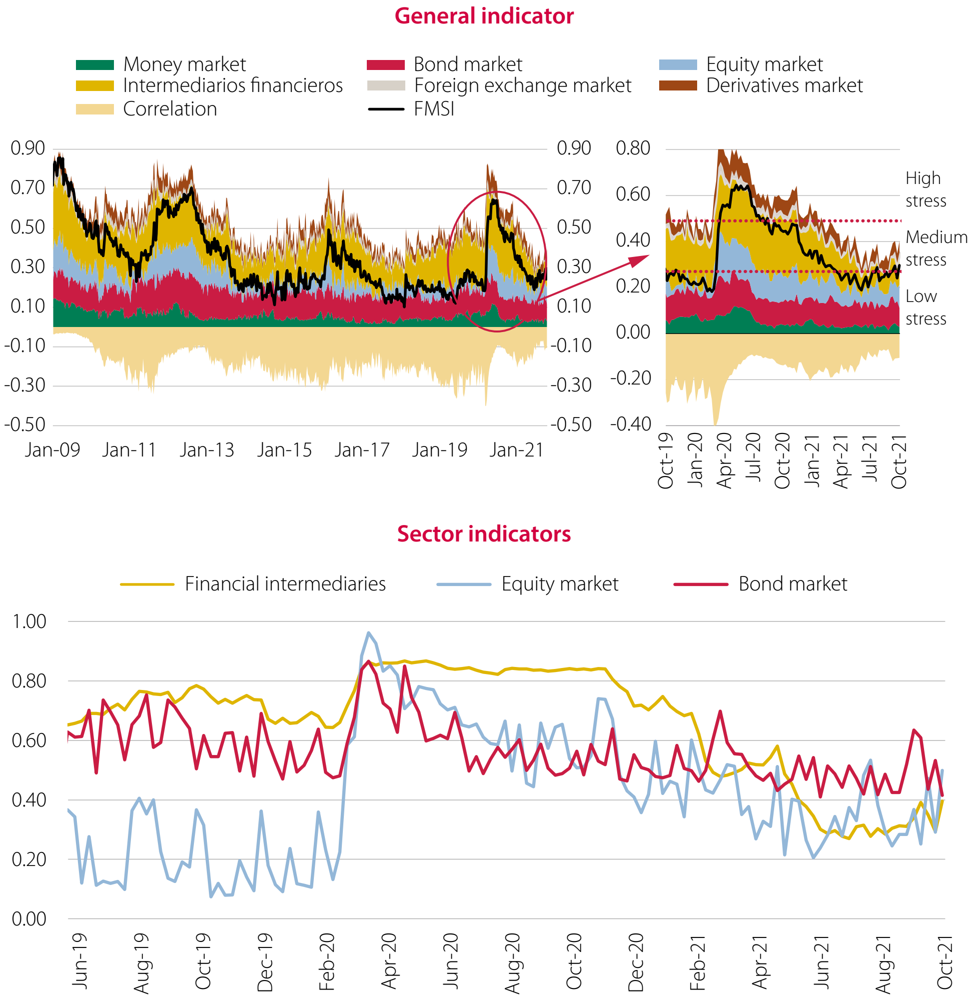
Since July, the Spanish financial markets stress indicator has remained at values close to the threshold that separates low stress from medium stress (0.27). System correlation remains high.

The different individual indicators have shown fluctuations in stress levels due mainly to variations in volatility indicators. The financial intermediaries segment (banks) posted the highest values until February this year, from where they gradually declined until July (see lower panel of Figure 12), to remain at values of between 0.30 and 0.40. The fixed income markets have shown relatively stable stress levels in recent months, with values of around 0.45, except for a rebound seen in early September deriving from the increase in the volatility of the 10-year bond. In the non-financial equity segment, the large fluctuations in share price volatility caused a rise in the stress level from values of 0.24 to 0.53.

The main individual indicators have been relatively stable in recent months, with greater fluctuations seen in the equity markets.

13 The stress indicator calculated by the CNMV provides a real-time measure of systemic risk in the Spanish financial system that ranges from zero to one. To do this, it evaluates stress in six segments of the financial system and makes an aggregate, obtaining a single figure that takes into account the correlation between these segments. Econometric estimates indicate that index values below 0.27 correspond to periods of low stress, while scores between 0.27 and 0.49 correspond to periods of medium stress, and values above 0.49 indicate periods of high stress. For further details on recent movements in this indicator and its components, see the quarterly publication of the *Financial Stability Note*, and the CNMV's statistical series (market stress indicators), available at http://www.cnmv.es/portal/Publicaciones/PublicacionesGN.aspx?id=51. For more 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*, Vol. 14, No. 1, pp. 23-41 or as CNMV Working Paper No. 60 (http://www.cnmv.es/DocPortal/Publicaciones/MONOGRAFIAS/Monografia_60_en.pdf).

Spanish financial markets stress indicator FIGURE 12



Source: CNMV.

3.1 The stock markets

After the gains seen in the first half of the year, the Spanish equity markets experienced some fluctuations due to various uncertainties (inflation risk, the electricity sector, Evergrande…).

The Spanish equity markets, which had made significant gains in the first half of the year, following in the wake of the main European equity markets, began the second half of the year with slight losses, in a quarter characterised by price fluctuation. Despite the positive data on the recovery of economic activity,[14] the markets still harbour fears that the increase in inflation will not be temporary and will force a premature tightening of monetary policy in both the United States[15] and in Europe. The rise in prices has been shaped affected, among other factors, by the

14 The Organisation for Economic Cooperation and Development (OECD) improved its growth forecasts for the euro area and Spain to 5.3% and 6.8% in 2021. Likewise, the Bank of Spain raised its forecast to 6.3% and 5.9% in 2021 and 2022, respectively, although it has warned that it will adjust them downwards now that the growth figure for the second quarter has been reduced to 1.1% from the initial estimate of 2.7%.

15 The Federal Reserve has stated that the tapering of stimulus measures will keep pace with the economic recovery.

increase in oil prices, which are at 3-year highs, and by problems affecting some supply chains, in the context of recovery in demand, better containment of new virus infections and economic buoyancy. Other factors that affected market performance in the latter part of the quarter related to the falls marked in the electricity sector due to regulatory uncertainty and the reduction sector income on the back of the package of measures adopted by the government to lower the price of electricity, in addition to concerns over the financial problems of the Chinese real estate giant Evergrande and the potential spillover in the international financial system.

… which caused the Ibex 35 to suffer a small loss of 0.3% in the third quarter (9% in the year as a whole), in line with other European benchmarks.

The main Spanish stock market index, the Ibex 35, ended the third quarter with a loss of 0.3% – a similar performance to that of the main European benchmarks.[16] This index, which had gained 6.3% in the first quarter of the year and 2.8% in the second, broke the upward path that it had been forging for the previous three quarters. The loss also reduces the annual gain to 9%, putting the Spanish index, alongside the UK FTSE 100[17] at the tail end of the ranking of large European benchmarks. The Ibex 35 stood at around 8,800 points at the end of September, close to pre-pandemic levels and not having recouped its accumulated losses in 2020. However, this performance must be seen taking into account a backdrop of falling trading levels and consolidated rises in market liquidity indicators.

In turn, small and mid-cap indices saw greater losses in the third quarter.

The slight decline in the main Spanish market index contrasts with the more significant falls in the prices of mid-cap companies (-2.6%) and smaller enterprises (-6.4%), which have been affected by the regulatory changes in the electricity sector for renewable companies, and that reflect the economic recovery to a lesser extent.[18] Likewise, the indices that are representative of Latin American securities that trade in euros, the FTSE Latibex All-Share and FTSE Latibex Top, made substantial losses (of 15.4% and 7.4%, respectively) as a consequence of decline of the Brazilian stock market[19] and the depreciation of its currency against the euro.[20]

The largest revaluations corresponded to companies in the consumer goods and services, oil, construction and real estate sectors.

As has been customary in previous quarters, price performance was not uniform between sectors or stocks, although most sectors presented gains. The greatest increases (see Table 4) were in the services and consumer goods sectors, as well as in the oil sector, construction and real estate companies, and most notably companies in the tourism sector and airlines, which have been boosted by the recovery in tourism, the lower rate of infections in the pandemic and the lifting of restrictions on movement. In the consumer goods sector, the revaluation of the main

16 Most of the large international indices were largely flat in the third quarter, within the range of +2.3% by the Italian FTSE MIB and the decrease of 1.7% of the German Dax 30. The French Cac 40 rose by 0.2%, while the European Eurostoxx 50 fell 0.4%. Among the US indices, the S&P 500 (0.2%) posted a gain, while both the Dow Jones (-1.9%) and the Nasdaq technology (-0.4%) fell slightly.

17 The UK FTSE 100 index saw an accumulated gain of 9.7% in the first nine months of the year.

18 Small and medium cap companies have accumulated gains of 1.9% and 5.9%, respectively, in the year, compared to 9% for the Ibex 35.

19 The main Brazilian stock market index, Bovespa, fell 12.5% in the third quarter of the year, while the Mexican BMV IPC index rose 2.2%.

20 In the third quarter of the year, the Brazilian real depreciated by 6.5% against the euro, while the Mexican peso lost 2.2%.

company in the textile sector (Inditex) stood out, where turnover has recovered to pre-pandemic levels.

…in addition to those of the financial sector.

The oil sector also rose significantly, where the share price of the main company (Repsol) reflects the recovery of oil prices, as did construction and real estate companies, boosted by the rekindled dynamism of the real estate market[21] after the sharp contraction caused by the pandemic. In addition, the financial sector,[22] which was partially affected by the uncertainty surrounding the possible spillover of the problems affecting Evergrande, closed the period with gains thanks to the lifting of the ban on cash dividends and the rise in activity in the current recovery scenario.

The declines were led by electricity companies and manufacturers of industrial goods.

The largest losses were seen in power companies.[23] Decreases were also observed in the industrial goods manufacturing sector, pharmaceuticals, food and technology, especially companies producing industrial goods, which are reflecting the decrease in investment in capital goods[24] and the problems affecting some supply chains. The pharmaceutical sector was affected by the problems experienced by a laboratory in the manufacture of vaccines (Rovi), while the technology sector (Amadeus) is still shaped by some continued restrictions in the tourism sector and fears that appearance of new strains of the virus could mean more limits on movement.

Although the effects of the crisis have to some extent altered the capitalisation of companies and the value of the country's productive structure, the outlook for recovery has allowed the previous situation to be largely restored, although new companies and sectors have gained weight.

Progress in normalising the situation created by the pandemic and the outlook for economic recovery have consolidated the revaluation of the capitalisation of banks, traditional telecommunications companies such as Telefónica and energy companies such as Repsol. However, this is not the case for companies in the electricity and supply sector, which, due to their defensive nature – i.e., the stability of their income and businesses – had shown a significantly better relative performance in terms of value generation and capitalisation than the first group of businesses. Thus, although part of the value structure prior to the pandemic is recovering to a certain extent, new sectors and companies in the technology and renewable energy sectors are gaining more weight, benefiting from their greater ability to operate in and adapt to the new environment. Other large traditional companies have also been able to maintain their relative weight by successfully carrying out digitisation and transformation processes to adapt to the new competitive environment.

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21 According to data from the INE, real estate sales totalled 50,238 transactions in July, the highest figure since April 2008, which represents monthly and year-on-year growth of 4.3% and 53.5%, respectively.

22 The reincorporation of BBVA in the Eurostoxx 50 European index from 20 September after its exclusion a year earlier stands out. This will allow the security and its corresponding sector index to benefit from being included on the portfolios of many international investors and exchange-traded funds (ETF), which replicate the main market indices.

23 The government approved a Royal Decree-Law that reduces the remuneration of the extra income from nuclear, hydroelectric and renewable energies from profit deriving from the rise in gas prices, and for from extra profits deriving from the increase in CO_2 emission rights.

24 According to INE data, gross capital formation in machinery and equipment fell 4.3% in the second quarter of 2021, compared to a 5.2% increase in the first quarter.

Performance of Spanish stock market indices and sectors

TABLE 4

Index	2018	2019	2020	IV 20[1]	I 21[1]	II 21[1]	III 21[1]	Dec-20
Ibex 35	-15.0	11.8	-15.5	20.2	6.3	2.8	-0.3	9.0
Madrid	-15.0	10.2	-15.4	21.7	6.2	2.3	0.9	7.7
Ibex Medium Cap	-13.7	8.4	-9.7	20.8	8.3	0.4	-2.6	5.9
Ibex Small Cap	-7.5	11.9	18.9	24.7	9.3	-0.4	-6.4	1.9
FTSE Latibex All-Share	10.3	16.3	-22.0	36.9	-2.1	24.1	-15.4	2.7
FTSE Latibex Top	14.8	15.3	-19.1	28.8	1.3	22.1	-7.4	14.5
Sectors[2]								
Financial and real estate services	**-27.1**	**-27.1**	**-26.4**	**53.4**	**14.8**	**10.0**	**3.0**	**30.1**
Banking	-29.0	-29.0	-27.5	55.7	15.0	10.5	3.1	30.9
Insurance	-12.8	-12.8	-23.6	25.5	13.6	-1.6	0.7	12.6
Real Estate and others	-26.1	-26.1	-16.0	7.7	4.6	2.8	4.3	12.1
Oil and energy	**6.1**	**6.1**	**5.0**	**12.2**	**-1.5**	**-4.1**	**-8.7**	**-13.7**
Petroleum	-4.5	-4.5	-40.8	44.2	28.0	0.1	7.0	36.9
Electricity and gas	8.9	8.9	14.2	8.5	-4.5	-4.7	-11.4	-19.4
Basic mats., industry and construction	**-8.6**	**-8.6**	**-2.5**	**27.8**	**5.0**	**-1.3**	**-0.7**	**2.9**
Construction	-3.4	-3.4	-16.3	19.4	3.8	-2.1	3.9	5.6
Manufacture and assembly of capital goods	-10.4	-10.4	50.7	38.2	-0.1	-9.0	-14.0	-21.8
Minerals, metals and metal products processing	-25.3	-25.3	-0.1	38.3	17.9	0.7	-1.2	17.3
Engineering and others	-21.3	-21.3	-6.1	37.8	11.2	15.8	-0.1	29.0
Technology and telecommunications	**-5.5**	**-5.5**	**-21.9**	**11.7**	**6.5**	**4.3**	**-0.5**	**10.5**
Telecommunications and others	-8.2	-8.2	-25.8	2.7	10.3	8.7	0.8	20.9
Electronics and software	-0.1	-0.1	-18.8	24.8	1.7	-1.8	-3.1	-3.3
Consumer goods	**-16.7**	**-16.7**	**-15.3**	**5.8**	**5.6**	**4.0**	**2.3**	**12.3**
Textile, clothing and footwear	-23.1	-23.1	-17.3	9.4	7.9	5.7	7.1	22.2
Food and drink	-8.4	-8.4	10.6	1.2	1.0	0.9	-4.5	-2.7
Pharmaceutical products and biotechnology	-6.4	-6.4	-18.3	-2.7	1.5	1.2	-7.0	-4.5
Consumer services	**-19.7**	**-19.7**	**-36.7**	**32.5**	**10.5**	**-4.8**	**3.8**	**9.2**
Motorways and parking	39.5	-34.7	-27.8	65.0	11.3	4.0	6.0	22.7
Transportation and distribution	32.3	-11.5	-38.8	30.9	10.3	-5.8	5.6	9.8

Source: BME and Refinitiv Datastream.

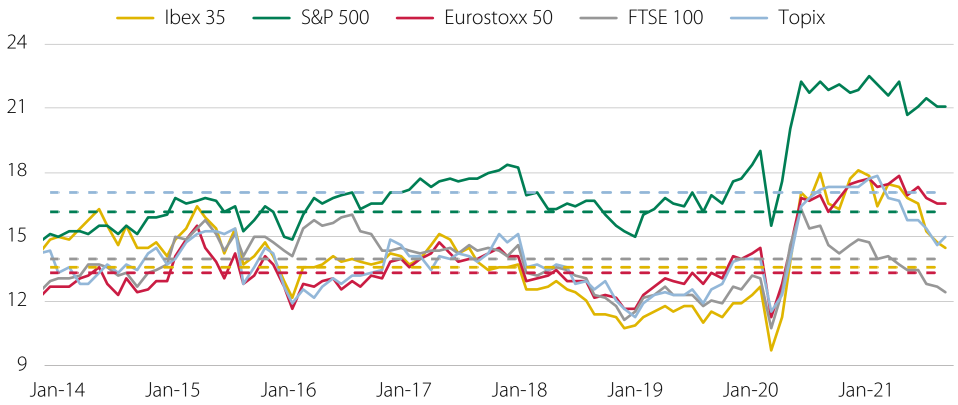
1 Variation compared to the previous quarter.

2 Sectors belonging to the IGBM (Madrid Stock Exchange General Index). The information corresponding to the most representative subsectors is displayed within each sector.

Stable prices, together with the expected recovery in corporate earnings in the coming months, have led to a further decline in the price-earnings ratio (PER), which still remains at historically high levels.

Stable prices in the quarter, together with the progressive recovery in corporate earnings expected in the next few months, has led the price-earnings ratio (PER) of the Ibex 35 to fall for the third consecutive quarter, to stand at 14.5 times in September,[25] its lowest level since the first half of 2020. The value of this ratio has been decreasing progressively throughout the year both in the Ibex 35 and in the main European indices as corporate earnings have recovered in parallel with economy. However, the value of the Spanish indicator remains below the levels of the European Eurostoxx 50, as shown in Figure 13. Likewise, with the exception of the Japanese Topix index and the UK FTSE 100, most of the PER ratios of the main indices remain above their average values for the 2010-2021 period.

Price-earnings ratio[1] (PER) FIGURE 13



Source: Refinitiv Datastream. Data until 15 September.

1 With forecast earnings for 12 months.

Market volatility experienced a slight rebound in the third quarter, to values above 15%.

The Ibex 35 volatility, which had dropped progressively over the first half of the year, rebounded slightly in the third quarter, reaching a quarterly average of over 15%. This slight upturn in volatility puts an end to the downward trend observed in recent quarters[26] and moves slightly away from the historical lows of close to 10% observed at the end of 2019 (see Figure 14). This bullish performance is similar to the trend marked by other international indices[27] such as the European Eurostoxx 50 (13.2% on average in the quarter) or the US Dow Jones (10.8% on average), although its average increase is somewhat higher than these.

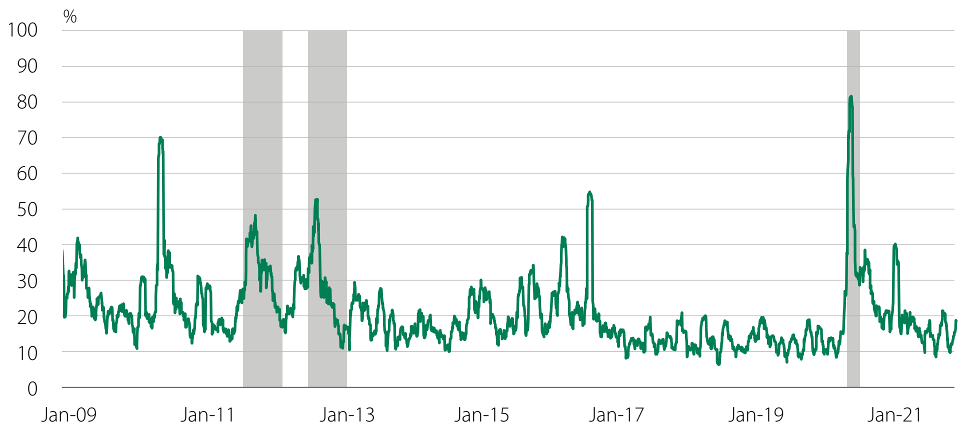
25 In the same period, the PER ratio of the European Eurostoxx index fell to 16.6 times, while that of the US S&P 500 held at 21.2 times.

26 In the first and second quarters of 2021 it reached values of 17.1% and 13.2%, respectively, while in the fourth quarter of 2020 it stood at 24.3%.

27 In contrast to the main international equity markets, the volatility of the Japanese Nikkei 225 index decreased in the third quarter to 15.7%, compared to 18.3% in the previous quarter.

Historical volatility of the Ibex 35

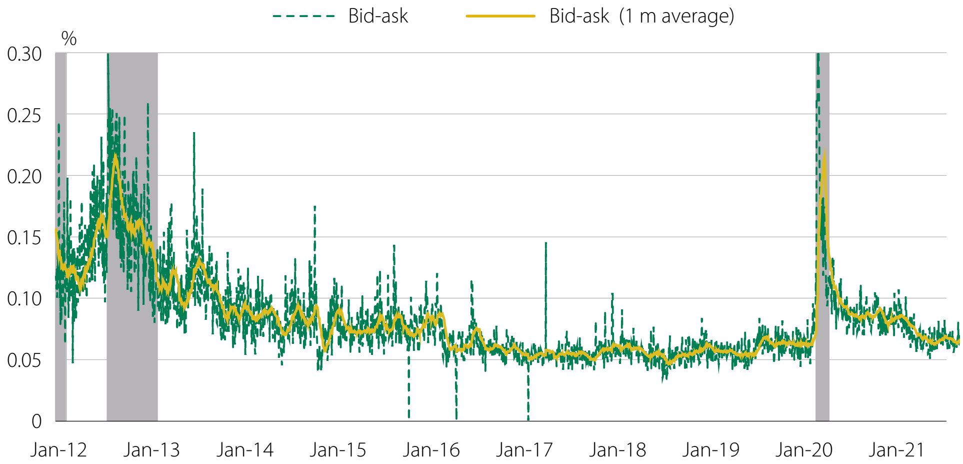
FIGURE 14



Source: Refinitiv Datastream and own calculations. The indicator is calculated as the annualised standard deviation of the daily price variations of the Ibex 35 over 21 days.

Ibex 35 liquidity. Bid-ask spread

FIGURE 15



Source: Refinitiv Datastream and own calculations. Information on the bid-ask spread of the Ibex 35 and the average of the last month is presented here. The vertical lines of the graph refer to the introduction of restrictions on short-selling dated 11 August 2011, their subsequent lifting on 16 February 2012 (for financial institutions), the new restrictions of 23 July 2012 and their lifting on 1 February 2013, as well as the two most recent bans: the first for one day (13 March 2020), which affected 69 entities, and the second, adopted a few days later and lifted on 18 May 2020, which affected all entities.

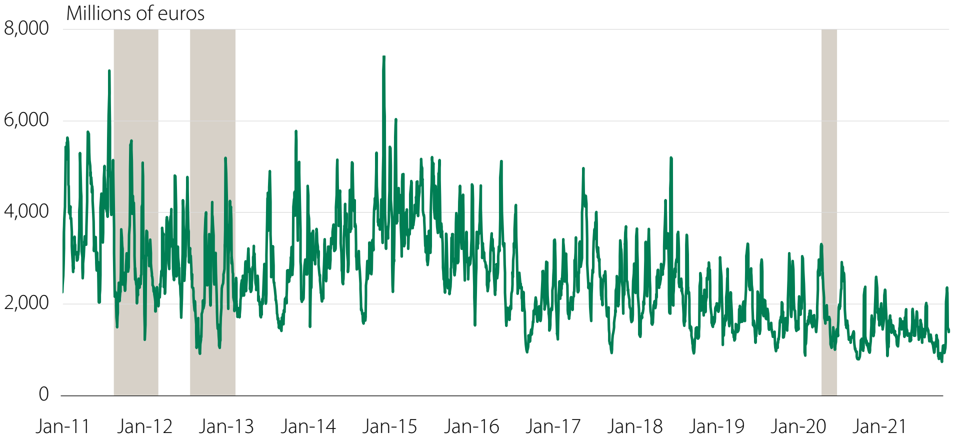
The liquidity conditions estimated using the bid-ask spread have stabilised, but still present values that are slightly higher than pre-crisis levels and weighed down by the decline in the volumes traded.

Despite the slight increase in volatility and the fresh decline in the volumes traded, the liquidity conditions of the Ibex 35 – estimated through the bid-ask spread – remained at levels similar to those seen of the second quarter and slightly above those existing before the start of the crisis. This would suggest that the situation is returning to normal. In the third quarter of the year the spread averaged 0.066%, in line with the figure of 0.065% in the second quarter and below the 0.081% and 0.084% of the previous quarters, and the historical average of the indicator (0.09%) (see Figure 15).

In this context of slight increases in volatility and largely stable prices, the trading of Spanish securities reached its lowest volume in one quarter in recent years…

In this context of small increases in volatility and stable prices, the trading of Spanish equities once again decreased significantly, to just €151 billion in the third quarter, 2.3% lower than in the same period last year and the lowest volume in one quarter recorded in the past decade. Thus, despite the temporary improvement observed in the last quarter of 2020, the downward trend in trading volumes of Spanish equities would appear to be establishing itself, in the same way, albeit to a lesser extent, as in other European markets.[28]

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



Source: CNMV. The shaded areas of the graph refer to the introduction of restrictions on short-selling dated 11 August 2011, their subsequent lifting on 16 February 2012 (for financial institutions), the new restrictions of 23 July 2012 and their lifting on 1 February 2013, as well as the two most recent bans: the first for one day (13 March 2020), which affected 69 entities, and the second, adopted a few days later and lifted on 18 May 2020, which affected all entities.

1 Moving average of five business sessions.

…accompanied by a further decline in the share of trading carried out through BME.

Regarding the distribution of trading in Spanish securities, just over €78 billion corresponded to the regulated market of Bolsas y Mercados Españoles (BME), while the remaining €73 billion corresponded to other trading venues and competing markets. The trading of Spanish shares has fallen by around 4% year-on-year in the regulated market and 0.4% year-on-year in competing venues, leading to a drop in BME's market share to 51.9%, very close to the historical low of 51.6% reached in the first quarter (52.4% for the year as a whole).

Trading on the continuous market stood at €1.19 billion in the third quarter of the year.

Daily average trading on the continuous market stood at €1.19 billion in the third quarter (the lowest in one quarter in recent years, 4.5% year-on-year fall), below the average of the previous quarter (€1.47 billion) and for 2021 to date (€1.37 billion).

28 According to data from the World Federation of Exchanges, accumulated trading to July in the main European markets, with the exception of the London Stock Exchange Group, which fell by 27.4%, due to Brexit, presented small falls of 1.3% in Euronext, 2.2% in Cboe Europe and 8.8% in the German Deutsche Börse. Likewise, the main US and Asian stock markets continue to grow, with rises of 4.4% and 11.8% for the US NYSE and Nasdaq, respectively, and 4.2% for the Japan Exchange Group. These figures are not fully comparable with those provided for Spain as the latter include the trading of Spanish securities on the regulated market located in Spain and in other trading venues. However, they are useful to provide context for a common trend.

In terms of the trading of Spanish shares in BME's competing venues, the recovery of market share by Cboe Global Markets (Cboe), which now operates from Amsterdam, and where trading decreased by less than that of its competitors (€54.46 billion in the quarter) stood out. This amount represents around 74.5% of trading carried out abroad and 70% of trading through BME. Among BME's other competing venues, Turquoise maintained its market share at 7.6%, while that of the rest of the operators, whose weight had been growing in recent quarters, fell once again to below 18% (see Table 5).

Of the group of competing trading venues, Cboe remained the strongest and its relative share further increased.

Trading in Spanish equities admitted to trading on Spanish stock exchanges[1]

TABLE 5

Millions of euros

	2017	2018	2019	2020	I 21	II 21	III 21
Total	**932,771.9**	**930,616.1**	**805,833.0**	**780,343.5**	**178,116.8**	**169,201.6**	**150,830.9**
Admitted to SIBE electronic platform	**932,763.1**	**930,607.1**	**805,826.6**	**780,341.0**	**178,114.0**	**169,199.0**	**150,830.5**
BME	633,385.7	579,810.4	460,267.4	418,512.6	91,268.7	90,282.5	77,726.6
Cboe Equities[2]	193,310.8	278,361.0	256,772.5	275,682.4	62,442.7	55,259.9	54,457.9
Turquoise	44,720.1	42,833.4	30,550.6	23,242.2	6,093.2	5,981.7	5,549.7
Other	61,346.5	29,552.2	58,236.1	62,903.8	18,309.5	17,674.9	13,096.3
Open outcry	**8.1**	**8.2**	**6.2**	**2.5**	**2.8**	**2.6**	**0.4**
Madrid	1.8	0.8	0.8	0.1	0.0	0.0	0.0
Bilbao	0.0	0.0	2.1	0.0	0.0	0.0	0.0
Barcelona	6.3	7.4	3.2	2.4	2.7	2.6	0.4
Valencia	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Secondary market	**0.7**	**0.8**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**
Pro memoria							
Trading of foreign equities through BME	6,908.0	3,517.1	3,480.5	4,273.8	1,056.9	1,061.9	1,106.5
BME MTF Equity[3]	4,987.9	4,216.3	4,007.7	3,929.0	971.2	815.2	639.8
Latibex	130.8	151.6	136.6	79.5	11.2	8.1	7.9
ETF	4,464.1	3,027.6	1,718.0	2,551.1	400.5	345.3	404.5
Total trading through BME	649,885.3	590,732.0	469,616.6	429,348.5	93,711.3	92,515.6	79,885.7
% Spanish equities traded through BME/ total Spanish equities	68.3	62.6	57.4	53.9	51.8	53.7	51.9
Systematic internalisers[4]	**n/a**	**143,956.9**	**141,308.3**	**144,694.4**	**15,142.2**	**11,077.5**	**10,759.6**

Source: Bloomberg and own compilation by the authors.

1 This includes the trading of Spanish equities subject to market rules or MTF (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 equities are those admitted to trading in the regulated BME market with an ISIN that is not Spanish.

2 Includes trading that until 2020 was carried out through Chi-X and BATS, which since January 2021 has moved to Amsterdam as a result of Brexit.

3 MAB until September 2020. This MTF has three segments: BME Growth (in which growth companies and Spanish real estate investment funds are listed), BME IIC (in which the open-ended collective investment schemes and hedge funds are listed) and BME ECR (in which the venture capital firms are listed).

4 Data estimated by the CNMV with data from transaction reporting.

Trading carried out through systematic internalisers was stable in the third quarter of the year, but its relative weight is less than half of the amount it represented up until 2020.

Trading carried out through systematic internalisers, whose format is not subject to non-discretionary market rules, held stable at below 7% of the total trading of Spanish securities in the third quarter (total trading is defined as the sum of trading subject to non-discretionary market rules and trading carried out through systematic internalisers). This value is less than half of the figure observed since 2019, which has been largely stable.

Capital increases with fund raising decreased once again and were mainly capital increases with non-monetary contributions.

Issuance in the equity markets stood at €2.70 billion in the third quarter, the lowest value since the first half of 2020. Of this amount, €1.39 billion corresponded to increases with non-monetary considerations (see Table 6), which were concentrated in a single transaction that formed part of the merger of Unicaja and Liberbank. Likewise, an increase made by DIA for close to €500 million stood out for its volume, while capital increases made under the scrip dividend format fell to just over €131 million, since most companies that use this format had already paid out dividends at the end of the second quarter. The IPO of Acciona Energía took place in the third quarter, the first IPO in the Spanish market since the first quarter of 2018.[29]

The accumulated balance for the year is positive both due to the volume of the issues made and the return of IPOs.

Despite the low issuance volume in the third quarter, the amount accumulated in the year to date is high (€14.62 billion), outpacing the amounts registered in full-year 2018, 2019 and 2020. In addition, there have been several IPOs carried out in the form of a public offering for the subscription of securities and listing, and other transactions are ongoing. The announcement made by Opal Spanish Holdings (belonging to the US company Otis Elevator Company) of a voluntary bid for the entire capital of Zardoya Otis should also be noted.

29 Corresponding to real estate company Metrovacesa for an amount of €734 million.

Capital increases and public offerings

TABLE 6

	2018	2019	2020	IV 20	I 21	II 21	III 21
NUMBER OF ISSUERS[1]							
Total	**46**	**33**	**38**	**14**	**10**	**10**	**15**
Capital increases	45	33	38	14	10	10	14
Public offering (for subscription of securities)	2	1	1	1	0	1	0
Public offering for the sale of shares (IPOs)	1	0	0	0	0	0	1
NUMBER OF ISSUANCES[1]							
Total	**81**	**52**	**38**	**16**	**10**	**14**	**18**
Capital increases	80	52	38	16	10	14	17
Public offering (for subscription of securities)	2	1	1	1	0	1	0
Public offering for the sale of shares[2] (IPOs)	1	0	0	0	0	0	1
CASH AMOUNT[1] (millions of euros)							
Capital increases with fund-raising	**7,389.9**	**8,240.6**	**8,903.1**	**3,560.3**	**2,969.2**	**8,948.7**	**2,567.5**
With preemptive rights	888.4	4,729.8	6,837.2	2,787.7	0.0	7,032.8	6.3
Without preemptive rights	200.1	10.0	150.1	150.1	0.0	100.0	0.0
Of which, increases	0.0	10.0	0.0	0.0	0.0	0.0	0.0
Accelerated book builds	1,999.1	500.0	750.0	0.0	0.0	0.0	0.0
Capital increases with non-monetary considerations[3]	2,999.7	2,034.2	233.0	220.5	2,079.2	56.0	1,390.1
Capital increases via conversion	388.7	354.9	162.4	0.0	0.0	68.0	41.4
Other	913.9	611.8	770.3	26.8	117.5	1,496.0	1,129.6
Scrip issues[4]	**3,939.7**	**1,565.4**	**1,949.0**	**375.2**	**772.5**	**195.8**	**131.1**
Of which, scrip dividends	3,915.2	1,564.1	1,949.0	375.2	772.5	195.8	131.1
Total capital increases	**11,329.6**	**9,806.0**	**10,852.1**	**3,560.3**	**2,958.2**	**8,948.7**	**2,698.6**
Public offerings for the sale of securities	**733.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2,200.2**
***Pro memoria:* transactions on MAB[5]**							
Number of issuers	8	12	13	3	9	11	26
Number of issuances	12	17	14	3	11	15	32
Cash amount (millions of euros)	164.5	298.3	238.0	174.3	83.2	692.3	1,230.6
Capital increases	164.5	298.3	238.0	174.3	83.2	692.3	1,230.6
Of which, IPOs	0.0	229.4	173.0	174.3	0.0	405.5	869.6
Public offering for the sale of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: BME and CNMV.

1 Trades registered with the CNMV. Does not include data from MAB, ETF or Latibex.

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

3 Capital increases for non-monetary considerations have been stated at market value.

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 Trades not registered with the CNMV.

Special Purpose Acquisition Companies (SPAC) EXHIBIT 2

Special Purpose Acquisition Companies (SPACs) are companies that raise money for a future acquisition of a part of an unlisted company (target entity) that normally has growth potential through an IPO. The acquisition is typically implemented through a merger. Thus, the target company begins trading when it merges with the listed SPAC.

SPACs are designed as an alternative to traditional IPOs or private equity, and offer companies additional ways to access the equity markets, thereby potentially improving the financing structure of the business sector and limiting the risks associated with the traditional listing process. This is one of the clear advantages of these vehicles, as the admission to market process consists of a negotiation of the terms of the agreement exclusively between the two parties.

SPACs are widely used in the US equity markets, where record volumes were attained (in terms of the number of SPACs that have gone public and the amount of funds raised) in 2020 and the first half of this year and, although it is not a new phenomenon, this investment format has also started to become more popular in some European equity markets in recent months. One of the main reasons for the viability of this format is it is eligibility for the tax neutrality regime provided for in European regulations for mergers, as otherwise it would be exceptionally burdensome, making it difficult to carry out IPOs in this manner.

SPACs are therefore being offered to European companies as a way to access the capital markets, and may play a major role in Capital Markets Union strategy. However, they are companies with some particularities and specificities, which investors should be especially aware of, that relate, among others, to the financial instruments issued by the SPACs (shares and warrants), potential conflicts of interest between sponsors of these vehicles, the way the acquisition of the target entity is carried out or the way investors exercise their right of separation.

On 15 July this year, the European Securities and Markets Authority (ESMA) published a document on the requirements that issuers must take into account when preparing a prospectus for a SPAC, to ensure that investors have all the information necessary to make their investment decisions, and investor protection: https://www.esma.europa.eu/press-news/esma-news/esma-publishes-disclosure-and-investor-protection-guidance-spacs.

The CNMV is also involved in the new manner of accessing the capital markets and has been working for several months on analysing these vehicles from different standpoints, including: meetings with investment banks and law firms, meetings with sponsors of potential SPACs, reviewing draft regulations, participating in ESMA and International Organization of Securities Commissions (IOSCO) working groups that have developed or evaluated SPAC initiatives and liaising with other supervisors.

From a supervisory angle, the CNMV has made a thorough analysis of this instrument and has proposed a series of supervisory criteria that must be taken into account in IPOs of SPACs, as well as in their subsequent life as listed companies.

First, for the IPO of the SPAC, it must register a prospectus, in which special emphasis should be placed on the following information, among others: i) the risks associated with conflicts of interest involving the sponsor; ii) how they are remunerated; iii) their experience and potential lock-up commitments for the purpose of restricting the sale of shares owned by them for a period of time; iv) the corporate governance of the SPAC; v) the risk of dilution for shareholders as a result of the acquisition of the target entity and the conversion of shares owned by the sponsor into ordinary shares, or the exercise of warrants; vi) the freezing of funds contributed by shareholders in the IPO and the remuneration of the escrow account in which these funds will be deposited and held; vii) the corporate resolutions and majorities necessary for the acquisition of the target entity; viii) the form in which the right of separation is exercised at the time the merger with the target entity is approved; ix) the period available to the SPAC to identify and acquire the target entity; x) the type of financial instruments to be issued by the SPAC and the differences between those that are subscribed by investors and those subscribed by the sponsor; xi) the possible financing needs of the SPAC for the acquisition of the target entity; and xii) a description of the sector or the type of companies that could be acquired by the SPAC and the risks associated with these.

During the listing of the SPAC, sufficient liquidity and dissemination of the company's shares must be assured. Given the features of SPACs, which typically acquire companies that are two or three times their size, it could be assumed that such levels would be reached with at least 50 investors and capitalisation of €50 million, although these parameters have not be established in any standard and may be modulated. Further, there may be a need to comply with the legal requirement that at least 25% of the capital must be publicly distributed.

Once it has gone public, the SPAC, like any listed company, must strictly observe the disclosure obligations imposed by securities market regulations and, in particular, adhere to the regulations on transparency and market abuse, in addition to publishing all inside information it has access to. Thus, the information that the SPAC must disclose in relation to the target entity once it has announced the agreement for its acquisition is of particular importance. It must be as comprehensive as possible to ensure that shareholders of the SPAC can decide whether or not they agree with the transaction, and consequently exercise their right of separation, if applicable, and guarantee the proper formation of quoted prices of SPAC shares. The CNMV's approach will be to ensure that SPACs disclose all inside information, like any other company, to prevent suspensions from trading as far as possible.

The disclosures made by the SPAC at the time of its merger with the target entity are also essential. The SPAC must prepare a prospectus in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017, on prospectuses, unless any of the exemptions included in Article 1.4 g) or Article 1.5 f) of the Regulation apply. If any of these exemptions do apply, i.e., because it is a direct merger, the CNMV will still require a prospectus to be drawn up so that investors have access to comprehensive information about the target entity. Thus, they will ultimately have the same information as they would if the process had been a traditional IPO.

Lastly, it is important to take note of the Draft Securities Market and Investment Services Act, which has recently been the subject of a public consultation. The Second Final Provision of this draft includes an amendment to the Spanish Corporate Enterprises Act, introducing a new chapter under title XIV, which regulates listed public limited companies, to address the particularities of the regime applicable to SPACs. Among other issues, the text defines what a SPAC is, it refers to the freezing of funds contributed by investors in the public offering of securities carried out by the SPAC for the IPO and establishes the reimbursement mechanisms for shareholders when the acquisition of the target entity is announced.

Regardless of the legal text that may eventually be approved to draw up a regulatory framework for the main aspects of this new market instrument, the CNMV has already established a supervisory approach for any transactions that may occur in the next few months, based on the current legal framework, which does not currently prevent the verification of these transactions.

3.2 Fixed income markets

Debt markets, which had started the quarter with further rate cuts on the longer-dated segments, ended it with increases to return to the starting level due to the risk associated with rising inflation.

The debt markets, which had seen further rate cuts on the longer-dated segments at the start of the third quarter, saw fresh increases in September. Long-term rates were at starting levels[30] for the quarter on renewed fears of rising inflation and the perception that current inflationary pressures – supported by rising oil prices – may not be as short-lived as expected, forcing central banks to withdraw their monetary stimulus measures earlier than expected.

Although the main central banks had indicated that they would maintain their expansive monetary policy stance, the uptick in inflation in the main economic areas increases the probability of a change in the direction of this policy.

Following confirmation by the ECB (in March, April, June and July) that it would continue to buy debt at a rate that is "significantly higher" than in the early months of the year to support the economic recovery, its Governing Council announced on 7 July that it would implement a more flexible monetary strategy (see Exhibit 1), which would allow rates to be eased on expectations that the ECB would keep its monetary policy unchanged, even if additional rises in inflation were observed. However, the continued rise in inflation in the United States and in Europe,[31] triggered the first indications of a change in the direction of central bank[32] monetary policy (see Section 2.1).

In this context, yields on Spanish debt started the quarter with falls, but subsequently increased to the values seen in the middle of the year.

Thus, after the initial decreases at the beginning of the quarter, rates on Spanish public debt, in line with those of the main European economies, gradually increased

30 The yield on the US sovereign bond increased by around 10 bp in the quarter, once again to above 1.5%, while the German bond for the same term remained at -0.2%, after reaching levels of close to -0.5% throughout the month of August. In both cases, the rates are at their highest levels for the last three months.

31 Inflation in the US reached 5.3% year-on-year in August, while in Germany it stood at 3.9%, the highest level since 1993. In Spain, the preliminary data for September show an annual variation of 4%, the highest rate since September 2008.

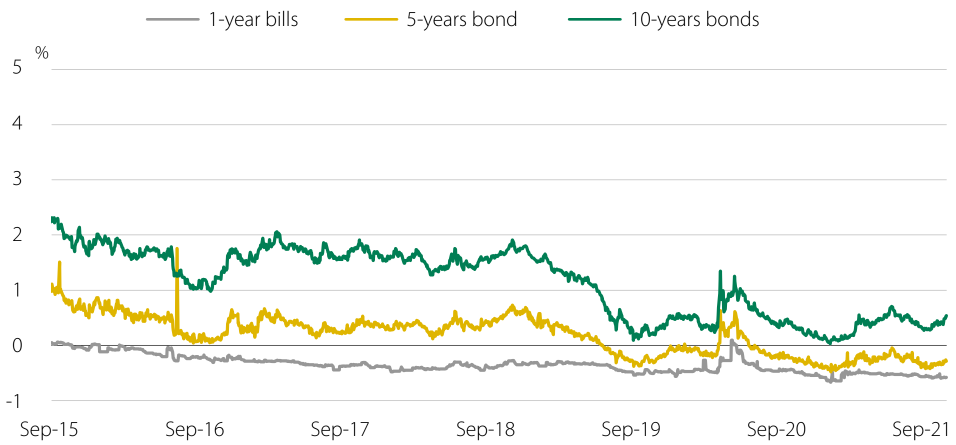
32 The Bank of Norway announced its first rate hike (of 25 bp) since the outbreak of the pandemic.

to reach levels similar to those seen in the middle of the year. Private fixed income rates showed a similar performance, although the rate hikes were somewhat less notable in the longer-dated segments, and in corporate debt with a lower credit rating, whose risk premiums remain low due to the search for yield phenomenon. The yield on the 10-year Spanish sovereign bond increased by just 4 bp in the quarter, to stand at 0.46% at the close, remaining at very low levels and mirrored by the Spanish risk premium, which ended September at 66 bp, slightly above the values at which it started the year.

The yield on short-term government debt decreased slightly, remaining negative on all segments of the curve for the sixth year running.

The yields on short-term private fixed income and public debt saw different performances in the third quarter, with small drops and some rises, respectively. Short-term government debt rates, which fell once again, have shown negative values for all segments of the curve for the sixth year running under the ECB's expansive monetary policy, which includes purchases of securities with a minimum residual maturity of 70 days. Thus, the average yield in the secondary market for Treasury bills at 3, 6 and 12 months was -0.61%, -0.59% and -0.57%, respectively, slightly below of the rate established by the ECB for the marginal deposit facility (-0.50%). Additionally, all treasury auctions carried out on the primary market were still awarded at negative rates and the last ones in September saw values of below -0.50% for all terms of the curve, in line with previous auctions.

Interest rates on Spanish public debt FIGURE 17



Source: Refinitiv Datastream.

…while the yield on short-term private debt showed slight increases.

In the case of short-term private fixed income the behaviour was different, with values that were higher than those of the previous quarter observed in some sections, in contrast to the trend seen in the past few quarters. Furthermore, in the 12 month term the sample was influenced in previous quarters by the large volumes of commercial paper issued in the Alternative Fixed Income Market[33] (MARF), as medium-sized companies could enter the market and issue commercial paper under the ICO guarantee programme, which raised the average interest rates of the sample because the issues made by these companies were at a cost that was substantially

33 In 2020, €410.6 million were used to guarantee 66 issues made by 15 companies, which mobilised funds amounting to €597.2 million.

higher than for large companies. In the third quarter, the issues made under this programme[34] decreased significantly, so the sample includes a greater number of issues made by large companies that benefit from lower issuance costs, as well as purchases of ECB debt in the primary market, as they fall in the range of eligible issuers.[35] Spanish market data show that in September the issuance yields on commercial paper in the primary market ranged from 0.24% for the 3-month instrument to 0.56% for 12-month paper, values that were slightly higher than those seen in the second quarter on shorter-dated segments (see Table 7).

Short-term interest rates[1] TABLE 7

%

	Dec-18	Dec-19	Dec-20	Dec-20	Mar-21	Jun-21	Sep-21
Treasury bills							
3 months	-0.50	-0.58	-0.70	-0.70	-0.54	-0.58	-0.62
6 months	-0.41	-0.47	-0.59	-0.59	-0.54	-0.57	-0.59
12 months	-0.33	-0.48	-0.63	-0.63	-0.50	-0.50	-0.57
Corporate commercial paper[2]							
3 months	0.24	0.20	0.49	0.49	0.14	0.00	0.24
6 months	0.19	0.52	0.55	0.55	0.51	0.27	0.47
12 months	0.07	0.71	1.44	1.44	0.72	0.67	0.56

Source: Refinitiv Datastream and CNMV.

1 Monthly average of daily data.

2 Issuance interest rates.

Public debt assets barely changed in the third quarter, although the longer terms saw the greatest upward pressure, with positive returns from the 7-year term onwards.

Medium and long-term public and private debt yields also marked a similar performance in the quarter, showing slight decreases at the beginning and rises later on, until they reached levels close to their starting points. The rises were mainly in the longer terms and public debt. Although the amount of the monthly debt purchases[36] under the different ECB programmes[37] remained unchanged, investor fears over rising inflation caused the yield on public debt to recover in the longer terms

34 Beneficiaries of issues of commercial paper through MARF guaranteed by the ICO guarantee programme included: Aedas Homes, Aldesa, Finycar and Hotusa. The maximum amount of the guarantees will cover 70% of the commercial paper issuance, which will have a maximum maturity of 24 months and be available until 30 September, with the following conditions for awarding them: having registered a commercial paper issue programme on the MARF before 23 April, the company's registered office being located in Spain and the funds obtained not being available for paying dividends.

35 The short-term debt the ECB can acquire under its PEPP programme may include commercial paper issued by Spanish companies such as Endesa, Iberdrola, Repsol, Telefónica, Red Eléctrica, Ferrovial, Naturgy, Abertis, Aena, ACS, Amadeus, Cellnex, Inmobiliaria Colonial and Viesgo. To be eligible, these assets must have a minimum credit rating of BBB- from Standard & Poor's, Fitch and DBRS, or Baa3 from Moody's.

36 The ECB currently buys around €100 billion of debt a month; €80 billion through the PEPP and €20 billion through the other programmes.

37 The PSPP (Public Sector Purchase Programme) and PEPP (Pandemic Emergency Purchase Programme) are currently in operation. Under the first programme, up until the end of August the ECB had acquired public debt for a net amount of €2,575.84 billion, of which €299.46 billion corresponded to Spanish securities; while in the same period, under the PEPP programme, it had acquired public debt for a net amount of €1,337.24 billion, of which €140.70 billion were Spanish securities. Therefore, the amount of

of the curve, although rates are still below the annual highs reached in May. Despite the slight increase, yields remain negative up to 7-year term. 3, 5 and 10 year yields on Spanish public debt[38] stood at -0.51%, -0.32% and 0.36%, respectively in September (see Table 8).

Medium- and long-term bond yields[1] TABLE 8

%	Dec-18	Dec-19	Dec-20	Dec-20	Mar-21	Jun-20	Sep-21
Public sector fixed income							
3 year	-0.04	-0.29	-0.53	-0.53	-0.41	-0.42	-0.51
5 year	0.43	-0.06	-0.42	-0.42	-0.24	-0.22	-0.32
10 year	1.43	0.45	0.05	0.05	0.34	0.44	0.36
Private fixed income							
3 year	0.67	0.20	-0.20	-0.20	-0.08	-0.16	-0.05
5 year	0.55	0.23	-0.13	-0.13	-0.15	-0.15	-0.02
10 year	1.52	0.79	0.41	0.41	0.45	0.58	0.44

Source: Refinitiv Datastream., Reuters and own compilation by the authors.
1 Monthly average of daily data.

The yield on private fixed income assets remains close to historical lows, although there are some differences in rates, since not all of them are eligible for ECB purchases.

The performance of private fixed income was similar, although in this case the increases were mainly up to the 5-year term and rates were still close to historical lows.[39] Most of the large corporate debt issuers continue to benefit from the ECB's debt purchase programmes, which include specific corporate debt purchases, although not all issuers have issues that are part of the range of eligible assets.[40] At the end of September, yields on 3 and 5-year private debt remained negative at -0.05% and -0.02% respectively, while the yield on 10-year debt stood at 0.44%, implying a risk premium of between 8 and 46 bp compared to public debt.

The sovereign risk premium increased slightly to 66 bp, somewhat higher than the level at which it started the year. Even so, its performance is positive and it remains supported by the ECB's debt purchases and the outlook for recovery.

The sovereign risk premium – estimated as the spread between the Spanish sovereign bond and the German 10-year bond yield – remains slightly higher than at the beginning of the third quarter, and for the year to date, standing at 66 bp Despite this slight increase, it remains low on the back of the positive effect of the ECB's purchases of public debt, in addition to the outlook for economic recovery as the health situation progressively returns to normal. The risk premium assessed through the CDS (credit default swap) of the Spanish sovereign bond, whose market is less liquid than that of the underlying, the Spanish sovereign bond, ended the quarter unchanged, at around 30 bp. The performance of the sovereign risk premium – like

Spanish public debt acquired by the ECB stood at €440.43 billion (40% of the outstanding balance of long term government debt).

38 The Treasury made its first green bond issue in September for an amount of €5 billion with a term of 20 years, which will be used to finance projects that promote the objectives of the Spanish environmental agenda. The issue, which was carried out in accordance with the Green Bond Framework of the Kingdom of Spain, had demand of more than €60 billion.

39 It should be taken into account that yields vary more in this debt category as the sample used to estimate interest rates is based on a wide range of assets with different levels of risk including covered bonds, investment grade rated bonds, high yield bonds and even debt with no credit rating.

40 The ECB requires a minimum investment grade rating for purchases.

that of the risk premiums applied for large Spanish issuers – will continue to be shaped in the short term by the support provided by the ECB through debt purchases, although in the medium term it could be conditioned by the scale of the economic recovery and political, monetary, fiscal and budgetary decisions.

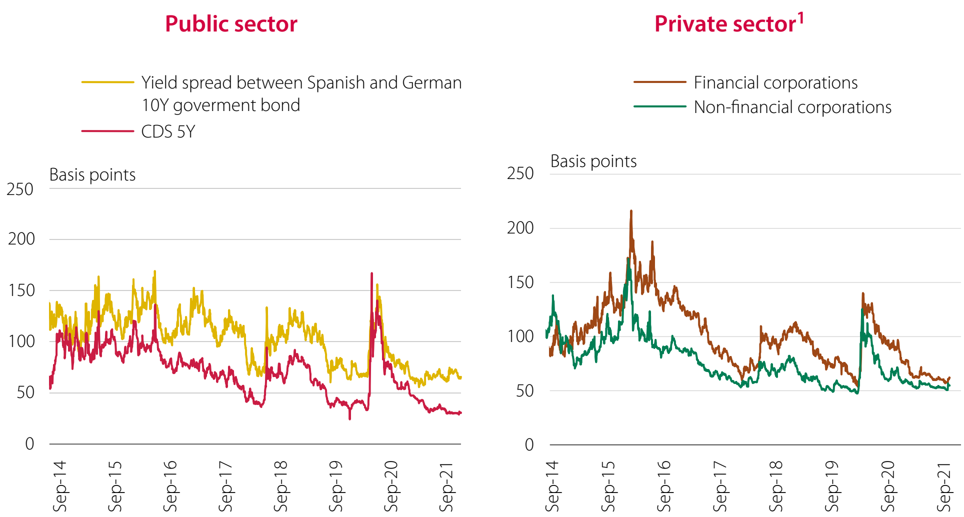
The performance of the risk premium of private sector companies was similar, with slight increases…

Risk premiums for the private subsectors of the economy performed in a similar trend, increasing by 2 bp for both financial institutions and non-financial companies. As shown in the right hand panel of Figure 18, the average CDS of financial institutions stood at 62 bp at the end of September, 16 bp less than at the start of the year, but still above the 55 bp average risk premium of non-financial companies, which fell 4 bp from its value at the close of 2020.

…both for financial institutions…

In the case of financial institutions, risk premiums remained stable due to various factors such as the support measures deployed by the central bank, which include specific programmes for the purchase of assets issued by banks, such as covered bonds and asset-backed securities,[41] as well as rounds of financing and specific longer-term funding under very favourable conditions, and also to the improved outlook for economic recovery. The latter will allow the sector to generate more income and help to mitigate the possible increase in NPLs.

Risk premium of Spanish issuers FIGURE 18



Source: Refinitiv Datastream and own calculations.

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

41 The ECB, through its covered bond purchase programme (CBPP3) and the asset backed securities purchasing programme (ABSPP), accumulated up to the end of September purchases amounting to €297.23 billion and €25.98 billion, respectively, of which more than 36% and 61% were carried out in the primary market. Likewise, at the end of July, the ECB accumulated covered bonds for the amount of €5.38 billion acquired under the PEPP programme, of which more than 21% were acquired in the primary market.

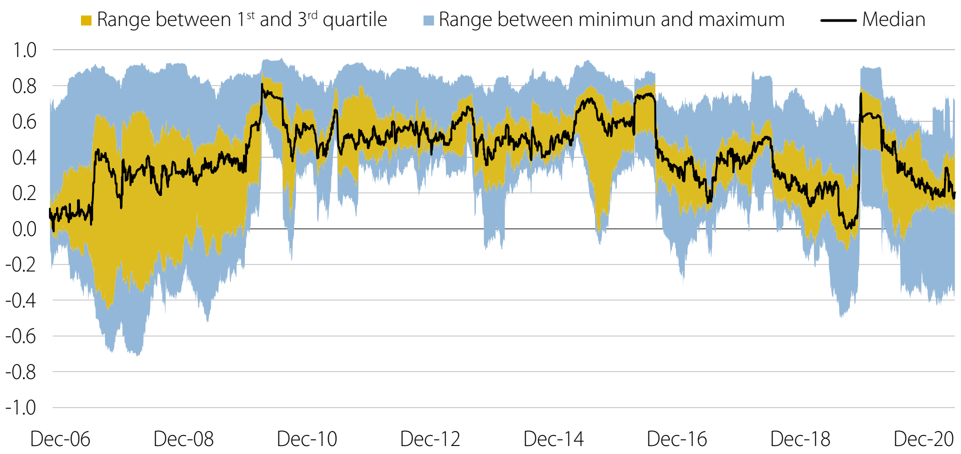
Risk premiums of non-financial companies, while also benefiting from the positive effect of the ECB purchases[42], which keeps their financial costs at low levels, presented slight increases following the announcement of the regulatory changes introduced by the government on electricity company income, and expectations of a change in its monetary policy stance, which could raise financial costs in the future.

…and financial and non-financial companies.

The degree of correlation between the prices of the different classes of financial assets, which had reached its highest level since 2016 in the first quarter of 2020, presented values similar to those seen in previous quarters in the third quarter of this year and higher than those presented at the beginning of the previous year (see Figure 19). This stability is due to the similar performance of debt and credit asset prices with respect to shares, which were largely unchanged.

The correlation between asset prices was largely unchanged although it remained at levels higher than those seen at the beginning of the crisis. This is due to the stability of the different asset prices in the quarter (debt, credit and shares).

Correlation indicator between asset classes[1, 2] FIGURE 19



Source: Refinitiv Datastream and own calculations.

1 The correlation indicator between asset classes includes pairs of correlations calculated using daily data in three-month windows. The asset classes are sovereign debt, private fixed income of financial and non-financial entities and securities of the Ibex 35, financial companies, utilities and 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. Meanwhile, diversification would offer fewer advantages since in this context it would be more difficult to avoid exposure to sources of systematic risk.

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

42 Up until the end of September, the ECB, through its Corporate Sector Purchase Programme (CSPP) accumulated a volume of purchases amounting to €296.78 billion, of which more than 22% were acquired in the primary market. At the end of July, the ECB had also accumulated corporate bonds and commercial paper amounting to €33.68 billion and €3.86 billion, respectively, acquired under the PEPP programme, of which almost 38% and 95% were acquired in the primary market.

The volume of debt issues by Spanish companies was close to €150 billion in the first nine months of the year, slightly higher than in 2020.

The joint volume of debt issues of Spanish companies registered with the CNMV and abroad so far this year stands at €149.81 billion, slightly higher than the figure for the same period of the previous year.[43] The stable asset volumes reflect the fact that issuers are still taking advantage of the abundant liquidity to obtain financing under favourable conditions, although many of the current transactions correspond to the refinancing of maturities.

Debt issues registered with the CNMV grew in the third quarter but not in the year as a whole as they remain shaped by the high volume of financing obtained abroad and because financial institutions have other attractive sources of financing at their disposal.

Fixed income issues registered with the CNMV in the third quarter stood at €25.33 billion, 22.1% higher than the figure for the same period of the previous year. For the year as a whole, these issues were €73.55 billion, lower than the €77.39 billion seen in 2020 due to many issuers taking advantage of the good conditions in 2020 to build up liquidity and above all to the significant amount of financing obtained from abroad, which has increased further in recent quarters to stand at €76.26 billion (data to August), which is higher than the amount registered with the CNMV. It should also be borne in mind that financial institutions still have access to other attractive financing sources, such as the ECB financing programmes (TLTRO-III).

The largest increases corresponded to the issuance of corporate commercial paper and securitisation bonds, while regional covered bonds were no longer issued.

Regarding the composition of the issues registered with the CNMV in the third quarter, in absolute and relative terms alike, the highest growth compared to the second quarter corresponded to commercial paper (41.5%), securitisation bonds (26.6%) and preference shares (none in the second quarter). All remaining assets registered falls, with the disappearance regional covered bonds and, to a lesser extent, simple bonds standing out. Regional covered bond issues were one-off in nature, linked to loans granted to public administrations, while most of the issues of simple bonds are made by Spanish issuers abroad. The commercial paper issues made by Endesa stood out, totalling €4.19 billion, more than half the amount of commercial paper issued. Securitisation issues, which can be used as collateral to obtain financing from the ECB, totalled €7.18 billion, of which €5.56 billion corresponded to a single securitisation programme made by one financial institution and the remaining €1.62 billion were issues made by three financing entities, of which €1.15 billion were STS (simple, transparent and standardised) securitisations.

Issues made on the MARF were €4.54 billion, the highest amount in one quarter seen in recent years, thanks to two CaixaBank securitisation bond issues.

Issues made on the MARF were €4.54 billion in the third quarter, more than double the amount seen in the same quarter of 2020 and the highest amount in one quarter in recent years, thanks to the large volume of two CaixaBank securitisation bond issues (€2.30 billion), the largest issues of this type of asset made in this market. The number of issuers stood at 47 (seven more than in 2020), including companies such as El Corte Inglés, Barceló, Hotusa and Audax Renovables.

43 Issues to September 2020 stood at €148.52 billion.

Gross fixed income issues registered with the CNMV TABLE 9

	2017	2018	2019	2020	2021		
					I	II	III[1]
NOMINAL AMOUNT (millions of euros)	**109,487**	**101,296**	**90,165**	**132,121**	**23,538**	**24,678**	**25,334**
Covered bonds	29,824	26,575	22,933	22,960	3,500	9,000	9,450
Regional covered bonds	350	2,800	1,300	9,150	0	3,500	0
Non-convertible bonds	30,006	35,836	29,606	33,412	9,569	1,456	807
Convertible/exchangeable bonds	0	0	0	0	0	0	0
Securitisation bonds	29,415	18,145	18,741	36,281	5,030	5,674	7,184
Corporate commercial paper2	17,911	15,089	15,085	22,301	4,241	5,049	7,142
Securitisation	1,800	240	0	0	0	0	0
Other commercial paper	16,111	14,849	15,085	22,301	4,241	5,049	7,142
Other fixed income issues	981	0	1,500	6,266	823	0	0
Preferred shares	1,000	2,850	1,000	1,750	375	0	750
Pro memoria:							
Subordinated issues	6,505	4,923	3,214	14,312	1,022	1,208	1,806
Secured issues	0	0	0	0	0	0	0

					2021		
Abroad by Spanish issuers	**2017**	**2018**	**2019**	**2020**	**I**	**II**	**III[3]**
NOMINAL AMOUNT (millions of euros)	**84,771**	**87,846**	**100,321**	**90,201**	**31,200**	**31,261**	**13,801**
Long-term	61,125	36,913	53,234	46,122	16,504	16,604	3,846
Preferred shares	5,844	2,000	3,070	1,850	500	1,570	0
Subordinated long-term bonds	5,399	2,250	1,755	0	0	600	0
Bonds	49,882	32,663	48,409	44,272	16,004	14,434	3,846
Securitisation bonds	0	0	0	0	0	0	0
Short-term	23,646	50,933	47,087	44,078	14,696	14,657	9,955
Commercial paper	23,646	50,933	47,087	44,078	14,696	14,657	9,955
Asset securitisation	0	0	0	0	0	0	0

***Pro memoria:* gross issues of subsidiaries of Spanish companies in ROW**

	2017	2018	2019	2020	2021		
					I	II	III[3]
NOMINAL AMOUNT (millions of euros)	**68,976**	**92,600**	**92,342**	**70,798**	**20,890**	**16,077**	**9,751**
Financial institutions	21,391	43,549	57,449	42,120	10,496	9,672	6,139
Non-financial companies	47,585	49,051	34,893	28,678	10,394	6,405	3,612

Source: CNMV and Bank of Spain.

1 Data until 30 September.

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

3 Data as of 31August

Issues abroad grew by 7.2% in the year, mainly due to short-term issues.

Debt issues carried out by Spanish issuers abroad, which had increased by 8.2% during the first half, subsequently slowed, putting the aggregate amount up until August at €76.26 billion, 7.2% more than in the same period of the previous year. This performance is due to short-term debt issues, which increased by 13.7%, while long-term debt hardly changed. Debt issues made by subsidiaries of Spanish companies in the rest of the world stood at €46.72 billion (data to August), 14% less than in 2020, of which almost 44% corresponded to non-financial companies (+6.6%) and the rest to banks (-25.2%), reflecting the continued dynamism of non-financial companies in their foreign projects.

The strong increase in debt issues with ESG criteria so far this year should be noted.

The sharp increase in debt issues with ESG criteria[44] made by private Spanish issuers in 2021 stands out, in line with international trends.[45] Between January and September, these issues exceeded €14 billion (more than 13% of all long-term issues), well above the €10 billion issued in full year 2020 and the €9 billion issued in full year 2019. More than 80% of the amount related to issues made abroad. Financial institutions accounted for most of the issuance (as in 2020), with almost half, knocking energy companies and utilities, which made the largest issues in earlier years (33% of the total in 2021), off the top spot. The remaining issues were made by companies in the telecommunications, construction and real estate sectors.

Activity in Spanish trading venues in the first nine months of the year decreased in both the SEND and the OTFs, falling to less than half in the first case.

In Spanish trading venues, activity registered in the Electronic Debt Trading System (SEND) dropped sharply once again, both year-on-year and compared to the second quarter. Trading for the first nine months of the year was just over €45 billion, almost one third of the amount registered in the same period of 2020, of which more than 58% corresponded to Spanish public debt and the remaining 41% was debt foreign. Trading on the two organised trading facilities (OTFs) authorised by the CNMV reached €101.81 billion in the third quarter, 34.1% less than in the same period of the previous year, of which more than €80 billion (79% of the total) corresponded to Spanish public debt and almost all of the rest to foreign public debt. For the year as a whole, trading in these systems came to €408.53 billion, 15.1% less than in the same period of 2020. The CNMV also approved the creation of a third OTF, Tradition España OTF, for the trading of fixed income securities and derivatives.[46]

4 Market agents

4.1 Investment vehicles

Financial CIS

Investment funds

Investment fund assets increased by 10.5% in the first half of 2021 on the back of higher net subscriptions (€18 billion) and the revaluation of the investment portfolio (4.32%).

Investment fund assets grew by 10.5% during the first half of 2021, reaching €309.05 billion, continuing the rising trend seen in recent years, which was broken only in the first half 2020 due to the effects of the pandemic.[47] This increase in fund assets is explained both by the increase in the net subscriptions made by unitholders and the revaluation of the portfolio assets, due to the strong performance of the financial markets during the period. A large number of subscriptions were made in the first and in the second quarters, putting the total for the first half at €18 billion, a figure unseen since 2015. The weighted average return of the funds was 4.32% throughout the six-month period, showing a slightly better performance in the first quarter (2.34%) than in the second (1.93%), in line with the performance of the financial markets.

44 Environmental, social and governance.

45 Issues made by public administrations have also grown at a considerable pace in recent years, led first by issues made by the autonomous regions (especially Madrid, the Basque Country and Andalusia) and the ICO, and compounded by government issues in 2021. In the first nine months of 2021, issues stood at close to €9 billion (with almost €5 billion in government issues).

46 https://www.cnmv.es/portal/verDoc.axd?t=%7B2aa5dcbf-7912-4949-bfdc-19466d7894f3%7D

47 It should be noted that in the first three months of 2020 there was a 10.5% decrease in assets, which was offset by a recovery of 11.8% in the following nine months of the year.

An analysis by category shows that global funds had by far the highest net volume of subscriptions in the six month period (close to €20 billion), which were concentrated in the second quarter, with net inflows of funds of €18.50 billion.[48] These were followed at some distance by mixed fixed income and international equity funds, which saw net subscriptions of €4.08 billion and €3.34 billion, respectively (see Table 10). Fixed income funds, which had marked significant growth since 2019,[49] saw an inflow of funds of €2.56 billion. In contrast, mixed equity funds, which had grown steadily since 2017, posted the highest net redemptions (€6.90 billion in the half), following the increase in outflows of funds between April and June (over €8 billion), as a result of the deregistrations in the quarter.[50] As in previous years, guaranteed funds and absolute return funds also saw positive net redemptions of €2.27 billion and €1.83 billion, respectively.

In a half in which changes of fund category and mergers between funds led to a recomposition of categories, the highest net subscriptions took place in global funds, followed at some distance by mixed fixed income and international equity funds, while the largest redemptions were seen in mixed equity funds.

Net investment funds subscriptions

TABLE 10

Millions of euros

					2020		2021	
	2018	2019	2020	1H2021	III	IV	I	II
Total investment funds	**7,841.8**	**2,467.5**	**660.3**	17,643.5	**680.6**	**1,938.1**	**7,009.8**	**10,633.7**
Fixed income[1]	-2,766.0	10,732.6	2,062.6	2,561.9	2,141.4	1,714.0	1,324.9	1,237.0
Mixed fixed income[2]	-1,063.7	-1,506.1	2,619.5	4,083.9	-988.9	219.6	4,789.7	-705.8
Mixed equity[3]	2,485.9	3,288.8	1,601.4	-6,903.9	1,036.4	147.0	1,375.3	-8,279.2
Euro equity[4]	1,848.7	-3,588.2	-2,007.7	218.1	-485.7	-319.2	82.3	135.8
International equity[5]	3,864.1	4,113.8	2,633.1	3,339.6	174.0	1,078.9	2,082.0	1,257.6
Guaranteed fixed income	-575.8	-282.6	-707.4	-561.7	-156.9	-245.4	-226.2	-335.5
Guaranteed equity[6]	-667.2	-1,857.0	-2,254.2	-1,706.2	-347.2	-380.2	-299.6	-1,406.6
Global funds	9,448.9	-2,553.9	-1,501.2	19,602.3	-580.3	-92.7	1,075.3	18,527.0
Passive management[7]	-2,790.4	-3,026.8	-23.8	-1,157.0	158.5	179.9	-862.2	-294.8
Absolute return	-1,899.6	-2,852.9	-1,761.9	-1,833.3	-270.7	-363.5	-2,331.7	498.4

Source: CNMV.

1 Until I-2019, it includes the following categories (CNMV Circular 3/2011): euro fixed income, international fixed income, money market and short-term money market. From II-2019 onwards, it includes the following categories (Circular 1/2019): short-term public debt constant net asset value MMF, short-term low volatility net asset value MMF, short-term variable net asset value MMF, standard variable net asset value MMF, euro fixed income and short-term euro fixed income.
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 GIF and partial guarantee.
7 Until I-2019, it includes passively managed CIS (CNMV Circular 3/2011). From II-2019 onwards, it includes the following categories (Circular 1/2019): passively managed CIS, CIS that replicate an index and CIS with a specific non-guaranteed target return.

48 It is important to mention that just over €5.60 billion of this figure corresponded to existing investment funds that had previously belonged to other categories. In addition, around 8.3 billion subscriptions were related to the absorption of a single fund from the mixed equity category by a global fund.

49 As mentioned in previous reports, in 2020, while the fixed income funds category had suffered the most from the negative effects of the pandemic since March, with net redemptions of over €2.70 billion, it closed the year with net subscriptions of more than €2 billion.

50 Although the number of deregistrations was not excessively high (total of five), one was a high equity fund that was absorbed by a fund belonging to another category (see Footnote 43).

Investment funds. Key figures*

TABLE 11

					2020		2021	
Number	**2018**	**2019**	**2020**	**1S2021**	**III**	**IV**	**I**	**II**
Total investment funds	**1725**	**1,710**	**1,644**	**1,629**	**1,654**	**1,644**	**1,642**	**1,629**
Fixed income[1]	279	281	276	272	276	276	279	272
Mixed fixed income[2]	168	173	174	182	170	174	181	182
Mixed equity[3]	184	185	186	186	183	186	188	186
Euro equity[4]	113	113	104	98	108	104	100	98
International equity[5]	236	263	276	285	279	276	278	285
Guaranteed fixed income	67	66	55	51	57	55	53	51
Guaranteed equity[6]	163	155	133	125	136	133	130	125
Global funds	242	255	248	253	250	248	252	253
Passive management[7]	172	133	118	110	117	118	114	110
Absolute return	99	84	72	65	76	72	65	65
Assets (millions of euros)								
Total investment funds	**259,095.0**	**279,377.4**	**279,694.5**	**309,047.2**	**267,084.6**	**279,694.5**	**292,865.2**	**309,047.2**
Fixed income[1]	66,889.3	78,583.2	81,015.9	83,503.3	78,775.6	81,015.9	82,209.7	83,503.3
Mixed fixed income[2]	40,471.0	40,819.9	43,200.4	48,143.1	41,957.1	43,200.4	48,373.9	48,143.1
Mixed equity[3]	23,256.0	28,775.8	30,432.7	24,893.5	29,019.2	30,432.7	32,601.3	24,893.5
Euro equity[4]	12,177.7	10,145.1	7,091.1	8,232.2	6,399.0	7,091.1	7,771.9	8,232.2
International equity[5]	24,404.9	34,078.9	37,722.5	46,464.6	32,763.6	37,722.5	42,746.1	46,464.6
Guaranteed fixed income	4,887.4	4,809.3	4,177.0	3,585.6	4,397.6	4,177.0	3,929.5	3,585.6
Guaranteed equity[6]	14,556.0	13,229.1	11,037.1	9,339.3	11,328.0	11,037.1	10,745.2	9,339.3
Global funds	42,137.2	43,041.9	40,944.5	62,913.0	39,057.4	40,944.5	43,120.7	62,913.0
Passive management[7]	16,138.6	14,073.8	14,014.3	13,587.1	13,223.8	14,014.3	13,571.5	13,587.1
Absolute return	14,172.5	11,818.3	10,057.4	8,383.9	10,161.5	10,057.4	7,793.7	8,383.9
Unitholders								
Total investment funds	**11,217,569**	**11,739,183**	**12,660,100**	**14,325,481**	**12,237,441**	**12,660,100**	**13,586,390**	**14,325,481**
Fixed income[1]	2,709,547	3,668,324	4,135,294	4,621,057	4,002,906	4,135,294	4,435,899	4,621,057
Mixed fixed income[2]	1,188,157	1,087,881	1,203,280	1,406,147	1,184,715	1,203,280	1,364,227	1,406,147
Mixed equity[3]	624,290	707,159	745,112	648,612	737,674	745,112	806,042	648,612
Euro equity[4]	831,115	598,901	530,107	737,047	487,843	530,107	705,654	737,047
International equity[5]	2,225,366	2,655,123	3,043,542	3,545,847	2,914,093	3,043,542	3,298,703	3,545,847
Guaranteed fixed income	165,913	154,980	135,320	115,807	141,812	135,320	127,437	115,807
Guaranteed equity[6]	494,660	428,470	356,439	308,880	368,979	356,439	348,061	308,880
Global funds	1,501,730	1,359,915	1,409,759	1,920,588	1,355,646	1,409,759	1,506,594	1,920,588
Passive management[7]	543,192	429,428	511,251	530,215	438,709	511,251	513,333	530,215
Absolute return	930,641	646,042	587,040	488,319	602,106	587,040	477,482	488,319
Return[8] (%)								
Total investment funds	**-4.89**	**7.12**	**0.78**	**4.32**	**1.08**	**4.14**	**2.34**	**1.93**
Fixed income[1]	-1.44	1.38	0.62	-0.09	0.60	0.68	-0.16	0.07
Mixed fixed income[2]	-4.27	4.75	-0.03	1.90	0.90	2.45	0.85	1.04
Mixed equity[3]	-6.45	9.25	0.59	5.04	1.71	4.37	2.56	2.42
Euro equity[4]	-13.01	14.27	-8.75	13.23	-2.25	16.61	8.58	4.28
International equity[5]	-12.34	22.18	2.83	14.06	2.62	11.94	7.87	5.74
Guaranteed fixed income	0.09	3.98	1.68	-0.74	0.83	0.59	-0.52	-0.22
Guaranteed equity[6]	-1.33	3.62	0.70	0.08	0.43	0.81	0.08	0.00
Global funds	-5.69	8.45	-0.31	5.45	1.46	5.18	3.10	2.28
Passive management[7]	-3.16	7.45	0.44	5.72	0.10	4.82	3.28	2.36
Absolute return	-4.81	3.94	0.94	2.13	1.42	2.80	0.97	1.15

Source: CNMV. * Information on funds that have submitted confidential statements (does not therefore include funds in the process of dissolution or liquidation).

1 Until I-2019, it includes the following categories (CNMV Circular 3/2011): euro fixed income, international fixed income, money market and short-term money market. From II-2019 onwards, it includes the following categories (Circular 1/2019): short-term public debt constant net asset value MMF, short term low volatility net asset value MMF, short term variable net asset value MMF, standard variable net asset value MMF, euro fixed income and short term euro fixed income.

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 GIF and partial guarantee.

7 Until I-2019, it includes passively managed CIS (CNMV Circular 3/2011). From II-2019 onwards, it includes the following categories (Circular 1/2019): passively managed CIS, CIS that replicate an index and CIS with a specific non-guaranteed target return.

8 Annual return for 2018, 2019 and 2020. Quarterly return not annualised for quarterly data.

The performance of the fund portfolio in the first half of 2020 was positive in almost all categories except for fixed income funds and guaranteed fixed income funds, with returns of -0.1% and -0.7%, respectively. The worst performance in the six-month period was seen by guaranteed equity funds (0.1%), followed by mixed fixed income funds (1.9%). In contrast, the categories with a higher percentage of equities in their portfolios offered the highest returns in the first half of the year, which were somewhat higher in the January-March period. Thus, in the euro equity and international equity categories, the return between January and June was 13.2% and 14.1%, respectively.

The performance of the fund portfolio was positive in most categories, with higher values in those with the largest percentages of equities.

The number of funds continued to decline in the first half of the year, with 15 fewer institutions, standing at 1,629 and continuing a trend that began in 2013, although it is gradually levelling off.[51] The greatest decline, as in recent years, took place in guaranteed equity and passively managed funds, with eight fewer vehicles in both cases. Absolute return funds also lost a notable of seven funds, while there were six fewer euro equity funds. In contrast, the large numbers of subscriptions to international equity funds in recent years took place alongside an increase in the number of vehicles, with nine new institutions.

The number of funds declined further between January and June of this year to stand at 1,629, driven by the losses in guaranteed equity funds, passive management and absolute funds. In contrast, the number of international equity funds increased.

In line with what happened in the case of assets, the number of unitholders experienced an increase of 13.2% between January and June, closing the six-month period at 14.3 million. It should be noted that the same unitholder is counted for each contract held in different funds, so that the registered increase could be partially explained by diversification into a greater number of funds. The largest increase in the number of unitholders (almost 511,000) was observed in the global funds category, partly due to changes of funds into this category. There was also a significant increase in international equity and fixed income funds, as in the last two years, with 502,000 and 486,000 more unitholders, respectively. In contrast, the number of unitholders in the absolute return, mixed equity and guaranteed fund categories decreased (by 99,000, 97,000 and 67,000, respectively).

The number of unitholders was over14.3 million at the end of the half, with the rise in global funds, with international equity and fixed income funds standing out.

According to provisional data for July, the main figures for investment funds remain, continuing the growth seen in the first half of the year. Investment fund assets grew by 1.2% to almost €313 billion at the end of July and the number of unitholders rose by 1.9%, to stand at 14.6 million. The number of funds, meanwhile, continued to decline, with five fewer vehicles.

In July 2021, assets and the number of unitholders both increased, while the number of funds dropped by five.

In terms of liquidity conditions, the weight of assets with reduced liquidity, which had fluctuated between 7% and 9% of the private fixed income portfolio of investment funds for several years, started to decrease in 2020 and continued this trend in the first half of 2021. Thus, in June of this year the percentage stood at 3.8% of this portfolio, with a volume of assets with reduced liquidity amounting to €2.45 billion, which represents only 0.8% of total investment fund assets.

The percentage of assets with reduced liquidity in the private fixed income portfolios of investment funds fell significantly in 2020 and the first half of 2021, reaching their lowest levels of recent years…

51 Although it is not a category of funds in itself, it is worth noting the number of funds that are adapting to the criteria of the European regulation on the sustainability disclosures, which in mid-October numbered 137 for those adhering to Article 8 and six for those adhering to Article 9. These articles distinguish (in terms of pre-contractual information) the financial products that promote environmental or social characteristics as long as the companies in which they invest observe good governance practices (Article 8) and the financial products that target sustainable investments (Article 9).

…with decreases in all fixed income asset categories, except non-financial fixed income, which remained stable.

A slight decrease in the weight of assets with reduced liquidity was observed in all categories of fixed income assets in the half, with the exception of non-financial fixed-income assets, in which the percentage was the same as at the end of 2020 (see Table 12). In this category, an increase of €126 million was seen in assets with reduced liquidity from December 2020 to June 2021, while in fixed income financial assets with a rating lower than AA there was a decrease of €134 million (this category had already experienced a reduction more than €850 million in 2020). The asset-backed securities category continued to account for the largest share of assets with reduced liquidity, although it also declined to 50.8%. These assets, however, have very little weight in fund portfolios.

Liquidity of IF assets TABLE 12

	Reduced liquidity investments[1]					
	Millions of euros			% of total volume of asset type		
Asset type	**Dec-20**	**Mar-21**	**Jun-21**	**Dec-20**	**Mar-21**	**Jun-21**
Financial fixed income with a AAA/AA rating	8	5	5	1.0	0.6	0.7
Financial fixed income with a rating below AA	986	980	852	3.3	3.3	2.8
Non-financial fixed income	1,078	998	1,204	3.9	3.3	3.9
Securitisations (asset-backed securities)	398	383	365	56.8	51.6	50.8
AAA securitisation	128	118	107	86.3	85.6	92.0
Other securitisations	270	264	258	49.0	43.8	42.8
Total	**2,470**	**2,365**	**2,426**	**4.2**	**3.8**	**3.8**
%/IF assets	**0.88**	**0.81**	**0.79**	–	–	–

Source: CNMV.

1 Reduced liquidity assets are considered to be private sector fixed income assets with a maturity greater than one year for which there is no representative number of intermediaries willing to buy and sell them with a normal market spread.

Open-ended collective investment schemes (SICAVs)

The number of SICAVs registered with the CNMV declined further between January and June 2021, with 96 deregistrations and only three registrations, to stand at 2,334…

As in recent years, the number of SICAVs registered with the CNMV decreased in the first half of 2021, with 96 deregistrations and only three registrations. Thus, in late June there were 2,334 SICAVs registered compared to 2,429 in December 2020.[52] More than two thirds of the deregistrations (67) were the result of liquidation processes, while 13 were funds absorbed in merger processes and 15 were transformed into other types of entities (six into S.L.s (private limited liability companies) and nine into S.A.s (public limited companies). The decrease in the number of entities was also reflected in the number of shareholders, which dropped by 3.7% to 348,825. Almost all SICAVs were listed on the MTF Equity market (formerly MAB).

…which did not prevent assets from increasing 4.9% thanks to the strong performance of the portfolio of these institutions.

Despite the decrease in the number of vehicles, the assets of these CISs increased by 4.9% in the first six months of 2021 to reach €28.29 billion. This movement was entirely due to the portfolio performance of these institutions, which was close to €2 billion for the six-month period. In contrast, buybacks of shares by the SICAVs

52 In 2016, there were 3,368 SICAVs.

themselves (which includes the assets of deregistered SICAVs) led to a decrease in assets of €657 million. Average assets per SICAV increased in the first half of 2021 by just over €1 million, standing at €12.1 million at the end of June.

Hedge funds

Hedge funds continue to have a very low weight in collective investment in Spain, as despite the steady rise in the key figures of this segment in recent years, it still accounts for less than 1% of total assets. This collective investment segment consists of two types of vehicles, depending on whether they invest in assets directly (hedge funds) or through other hedge funds (funds of hedge funds). In both cases, the vehicles can be set up as funds or as companies.

Hedge funds, which continue to have a very low weight in collective investment in Spain…

Aggregate assets of these institutions grew by 8.9% in the first five months of the year, to stand at €3.88 billion at the end of May. Hedge funds saw an increase of 9.9%, to €3.20 billion, while funds of hedge funds marked a much smaller rise, with assets up by just under €30 million to stand at €682 million.

…saw an 8.9% increase in assets between January and May, mainly in the pure hedge fund segment.

Trends in portfolio returns were in line with the performance of the markets, especially the equity markets, and were positive for all categories: while hedge funds posted a return of 5.1% to May, funds of hedge funds showed a return of 3.7%. As with investment funds (IF), the returns were higher in the first quarter of the year, especially in the case of funds of hedge funds.

Trends in portfolio returns were positive, in line with the recovery of equity asset prices.

The total number of these vehicles registered with the CNMV in June was 80, four more than at the end of 2020. Table 13 reflects how this increase occurred in hedge funds (from 69 to 71, with six registrations and four deregistrations) and in funds of hedge funds, which increased from seven to nine. This is first movement in the registration of the latter entities since 2018. Eight of them are funds (three of which have been in the liquidation for more than five years, although they are still obliged to submit information to the CNMV) and one is a corporate enterprise. In May, this company had equity of €303.60 million, an amount that was slightly lower than all eight funds of hedge funds together.

The number of entities at the end of June was 80, four more than in December 2020, with six registrations and four deregistrations of pure hedge funds and two registrations of funds of hedge funds.

The number of unitholders and shareholders of these institutions increased in the first five months of 2021 by a similar amount to the rise in assets, specifically 8.2%, totalling 11,087 at the end of May. The breakdown by type of CIS shows increases in both types of vehicles due largely to the four registrations (net) that took place in the period. Hedge funds saw an increase of 3.0%, to 8,067 million, while funds of hedge funds saw a rise of 22.8% to 3,509.

The number of unitholders and shareholders increased by 8.2% thanks to the registrations in the period for both types of vehicles.

Key figures of hedge funds and funds of hedge funds

TABLE 13

	2018	2019	2020	1H21	2020		2021	
					III	IV	I	II[1]
FUNDS OF HEDGE FUNDS								
Number	7	7	7	9	7	7	8	9
Unitholders	2,804	2,859	2,858	3,509	2,865	2,858	3,020	3,509
Assets (millions of euros)	468.8	566.7	652.8	682.0	622.0	652.8	666.0	682.0
Return (%)	-1.28	5.23	3.71	3.71	1.59	2.44	3.22	0.47
HEDGE FUNDS								
Number	49	62	69	71	67	69	73	71
Unitholders	4,444	7,548	7,961	8,197	7,968	7,961	8,067	8,197
Assets (millions of euros)	2,262.2	2,832.4	2,912.6	3,201.1	2,695.2	2,912.6	3,085.3	3,201.1
Return (%)	-6.47	10.35	1.77	5.06	1.63	7.66	2.77	2.23

Source: CNMV.

1 Data until May, except number of entities which is for June.

Real estate CISs

Despite the improvement of the construction and real estate sector, the figures for real estate CIS continued to decline due to the transfer of business to SOCIMIs.

The main figures for real estate CISs, which experienced a substantial decline as a result of the crisis in the real estate sector that began in 2008 and did not subsequently recover in line with the improvement in activity, continued to perform negatively. This is partly due to the fact that real estate investment in Spain has been largely transferred to SOCIMIs[53] (publicly traded investment companies in the real estate market), which have been extremely buoyant in the last six years, although they now appear to be stabilising. At the end of June there were a total of 80 SOCIMIs registered,[54] one fewer than at the end of 2020.

Real estate investment funds have marked the worst performance, with only two left since 2018, both of which are in the process of liquidation.

In contrast, real estate investment funds have seen large numbers of redemptions in recent years, leading them to start liquidation processes, with their consequent deregistration in most cases. Thus, since the end of 2018 there have only been two real estate investment funds registered with the CNMV (both in liquidation), which are very stable. At 30 June this year, these two funds had assets of €311 million and 483 unitholders.

The deregistration of one of the three real estate companies registered with the CNMV caused the assets of these institutions to fall by 1.9%.

Unlike real estate investment funds, real estate investment companies had seen some asset growth over the last few years, a trend which was broken in the first half of this year. Between January and June, there was a small decrease in assets (-1.9%), to €890 million due to one deregistration in the period[55] putting the number of companies at two.

53 SOCIMIs are listed public companies whose corporate purpose, like that of real estate funds and companies, is either the investment in real estate for subsequent lease or indirect investment through the purchase of shares or equity stakes in the share capital of other SOCIMIs or similar foreign entities (REITs).

54 Of these, four were listed on the continuous market and 76 on BME Growth (formerly MAB).

55 The deregistered entity had been in the process of liquidation since 2017.

Foreign CISs marketed in Spain

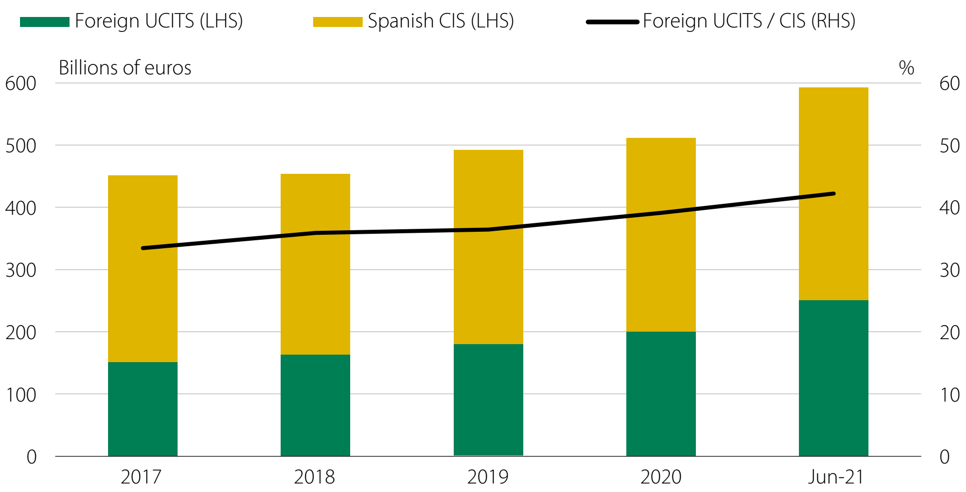
The volume of foreign CISs marketed in Spain grew strongly between January and June this year, continuing the uninterrupted trend in place since the obligation to report this information to the CNMV came into force. Thus, between 2008 and 2020 the volume grew more than tenfold, from €18 billion to almost €200 billion. The increase in assets registered in the first half of 2021 was 25.3%, to stand at close to €250 billion. As shown in Figure 20, the strong growth rate marked in recent years led to a sharp increase in the weight of foreign CISs of the total of CISs marketed in Spain, moving from around 10% at the beginning of the financial crisis to over 42% in mid-2021, having grown by more than 3 pp in the last six months.

The assets of foreign CISs increased 25.3% in the first half of the year, continuing the growth trend seen in the past ten years, thereby increasing their relative weight in CISs marketed in Spain to 42%.

In line with the growth in assets, the number of foreign CISs registered with the CNMV increased by 10 entities in the first half, so at the end of the period there were a total of 1,058 vehicles of this type (423 funds and 635 companies). This increase occurred only in investment funds, with 16 more institutions, since the number of companies fell by six. Despite the decrease in the number of foreign companies, their investment volume grew by 26.2%, which was greater than the growth experienced by funds (19.9%). As in previous years, most of the registrations corresponded to vehicles from Luxembourg (14, to reach 486). Furthermore, the 23 vehicles from the United Kingdom were deregistered due to Brexit.

The number of foreign CISs registered with the CNMV increased by ten in January-June 2021, to a total of 1,058 vehicles (423 funds and 635 companies).

Assets of foreign CISs marketed in Spain[1] FIGURE 20



Source: CNMV.

1 With the entry into force of CNMV Circular 2/2017, of 25 October, the number of entities required to submit statistical information has increased and therefore the data may not be comparable with the information published up to December 2017.

Outlook

The increase in household savings caused by the pandemic – both precautionary savings and because it has not been possible to carry out some consumption decisions – has had a very positive effect on the collective investment sector. In the short term, the context of low interest rates may continue to favour net subscriptions in these assets due to their highly diversified offer, although the growth rate could

The strong growth observed in the collective investment industry could slow in the coming months if the decline in household savings is confirmed.

slow if the decline in household savings continues (after the highs seen in recent months) as private consumption recovers. There is still a possibility that some investors that are more financially vulnerable may experience liquidity needs during the economic recovery and, consequently, redeem their shares in investment funds. However, this risk is lower than in previous months.

4.2 Provision of investment services

The provision of investment services can be carried out by various types of entities, mainly credit institutions, which receive almost 90% of the income generated by this business.

In Spain, credit institutions are the main providers of investment services as they are where most of the income generated by this activity is concentrated. Based on data from year-end 2020, credit institutions receive around 90% of the total fees from the provision of investment services. This percentage, which had been increasing gradually in recent years partly due to the fact that several banking institutions had absorbed the broker-dealers and brokers that belonged to the same banking group, has been virtually stable for two years.

Broker-dealers and brokers are second in the ranking, followed by financial advisory firms and portfolio management companies that perform specific services.

Broker-dealers and brokers still account for a fairly substantial relative weight, especially in order processing and execution activities, which account for the largest portion of their fee income, although they are clearly declining, while fees from other investment services are increasing. In addition to these entities, financial advisory firms and portfolio management companies provide investment services.

The CNMV supervises broker-dealers and brokers, financial advisory firms and portfolio management companies. For credit institutions authorised to provide investment services, the CNMV only supervises their compliance with the rules of conduct.

Of all entities in this sector, the CNMV is responsible for the prudential and regulatory supervision of broker-dealers and brokers, portfolio management companies and financial advisory firms. For credit institutions that are authorised to provide investment services, the CNMV also performs supervisory work on compliance with the rules of conduct in the market and the protection of clients. In this section we look closely at the performance of the activity in the sector and the economic and financial situation of the entities. Given the different times at which information is received depending on the type of entity, this report (for the third quarter) analyses the performance of broker-dealers and brokers in the first half of the year, while the report for the first quarter carried out, based on closing data from the previous year, an analysis of all institutions that provide investment services.[56]

In 2020, credit institutions authorised by the CNMV (111) received fees of €4.74 billion for the provision of securities services and the marketing of CISs, 8.5% more than in 2019.

Before describing the performance of broker-dealers and brokers in January-June of this year, a summary of some figures corresponding to year-end 2020 are also presented. The number of credit institutions registered with the CNMV to provide investment services amounted to 111, while the aggregate amount of fees and commissions received for the provision of securities services and CIS marketing stood at €4.74 billion (8.5% more than at year-end 2019). Of this figure, €2.13 billion corresponded to the provision of investment services, which represented an increase of 15.5% compared to the previous year. As in 2019, the financial advisory firm sector saw a slowdown in 2020, due to the 44.5% fall in assets under advisory services (32.4% in 2019) to €12.05 billion,[57] with a much greater decrease in the

56 There is no subheading for portfolio companies, a subsector that currently has only one registered entity, as this segment is insignificant compared to the others.

57 This significant loss of market share in the investment advice segment was partly due to the rise in competition from credit institutions for this type of service.

assets of non-retail clients. This asset management service resulted in fee income of €45.3 million.

However, as explained in the report published for the first quarter, the information is usually submitted on the provision of investment services in Spain according to the type of entity performing the activity. On a less formal note (according to the business model), based on 2020 figures it is estimated that around 67% of the business related to providing investment services in Spain (including the marketing of CISs and measured through fee income) is performed by traditional commercial banks or their group companies, a percentage that has progressively decreased since 2016, when it stood at 73%. The remaining 33% corresponds to financial entities specialised in providing of investment services that are not linked to commercial banking.

An analysis of the entities that provide investment services according to their business model reveals that 67% of the income related to this activity is received by traditional commercial banks or their group companies.

Second supervisory action of the CNMV through mystery shoppers at bank branches EXHIBIT 3

The securities market rules of conduct establish a general duty of information for entities providing investment services towards their clients, who must be properly informed, including verbal communication, in an impartial, clear and non-misleading way, in compliance with a series of requirements established in current legislation.[1] Specifically, the information transmitted verbally by the sales staff to clients before the investment service is provided is a key aspect of the marketing process. Therefore, it must be correct, complete and easily understood by the investor.

To obtain first-hand knowledge of whether this information is provided properly, between September and November last year the CNMV carried out a second mystery shopping exercise to monitor the marketing of financial products in bank branches. The first initiative of this type was performed at the end of 2016 and the objective of both exercises was to verify the way in which a series of financial products are actually marketed. In the second exercise the focus was on investment funds.

In the 2016 pilot test, a representative sample of entities were checked, accounting for around 50% of bank branches, while in the 2020 exercise this percentage was increased to 68%. Thus, visits were made to 800 bank branches (450 in 2016) in large towns all over Spain.

During these visits, the mystery shoppers actively requested advice on the acquisition of investment funds, which the financial institutions almost always offered within the scope of advice or portfolio management. Therefore, and unlike the previous check, there were very few implicit recommendations not recognised as advice. A better outcome was also obtained in regard to the offer of products, since in a greater number of cases funds managed by the group itself and funds of other managers were both offered, and there were no relevant incidents identified in which an employee of the bank influenced the client during the appropriateness or suitability assessments.

The conclusions of the second exercise were much more positive than for the first. However, several shortcomings and weaknesses in business practices were identified when the client was verbally informed about certain aspects of the advice service. These included the following:

– In certain cases, when information was provided about whether all the **recommended funds were managed by the group itself or whether funds of other managers were included**, the information provided was contradictory.

– There were also some cases in which the client was not told whether a **follow-up of the recommendations** would be performed, or this information was only provided after the client enquired about it.

– In almost half of the cases, the client was not proactively informed (i.e., before enquiring about the topic) of **whether there were costs associated with the advice or the financial instrument itself**. On several occasions the client was expressly informed there were no costs, which was not true.

– It was specified only on very few occasions whether the **advice was independent or not independent**, and in many cases where information was provided, the explanations were not accurate.

– Some entities did not provide **explanatory supporting documentation** about the advice service in this first phase, which, while not mandatory, is considered good practice.

After observing these weaknesses in the business practices when verbally informing clients about the advice service, the entities involved were required to adjust their procedures to correct these deficiencies and adopt the appropriate measures to shore up the training of their sales force.

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1 Article 77 of Royal Decree 217/2008, of 15 February, establishes that the information to be provided to clients when an investment advice service is provided must clarify whether the advice is provided independently or not and whether it is based on a general or more restricted analysis of the different types of financial instruments. In regard to the latter, the clients should be informed whether the range offered is limited to products issued or provided by entities that are associated or related in any way to the investment firm that could compromise the independence of the advice provided. It should also be indicated whether the client will be given regular suitability assessments for the recommended financial instruments. The obligation is also established to inform the clients of all associated costs and expenses, related to the investment services and auxiliary services, including advice fees, where appropriate, as well as the cost of the product recommended or marketed to the client.

Broker-dealers and brokers

In the first half of 2021, broker-dealers and brokers saw a decrease in activity: aggregate profit before tax stood at €99 million, down 10% on the figure obtained in the same period of 2020.

In the first half of 2021, after an exceptional improvement in 2020,[58] the activity of broker-dealers and brokers continued to decline, extending the trend seen in recent years. This was due to increasing competition from credit institutions in the provision

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58 As mentioned in previous reports, the growth achieved in 2020 was due exclusively to a company belonging to a foreign credit institution which transferred part of its activity carried out in the United Kingdom to Spain due to Brexit.

of financial services and the displacement of part of the trading of Spanish stock exchanges to other trading venues abroad. Aggregate profit before tax stood at around €99 million in the first six months of 2021 compared to just over €110 million in the same period of the previous year, marking a decline of 10%. The fall in profits only affected broker-dealers, since brokers saw an improvement compared to recent years.

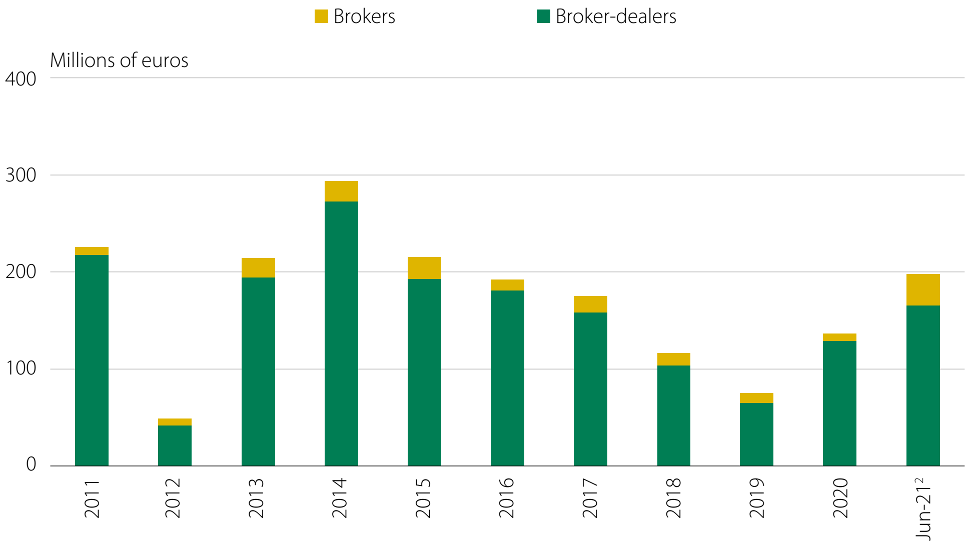
At the end of June 2021, a total of 92 broker-dealers and brokers were registered with the CNMV, three fewer than at the end of 2020, with five registrations and eight deregistrations. Four of the deregistrations were due to the absorption by a bank that was already the sole shareholder of the entity (in all cases). After the lengthy and far-reaching adjustment process that began with the financial crisis was interrupted in 2019, it would appear that another adjustment process is underway.

At the end of June, a total of 92 broker-dealers and brokers were registered with the CNMV, three fewer than at the end of 2020.

As a large part of the foreign companies that operated, or could have operated, in Spain came from the United Kingdom, after Brexit at the 2020, there was a sharp decrease in the number of EU entities that provide investment services in Spain, which went from 3,128 to 932, with falls in both companies operating under the freedom to provide services regime (from 3,062 to 881) and through branches (from 66 to 41). It is important to mention that there were no deregistrations of vehicles from non-EU countries, since there were only two registrations, making a total of five vehicles. Further, and as usual, most entities that provided services in the European Union did so under the freedom to provide services regime, specifically 50 (55 at year-end 2020), and only seven had branches in other countries (eight six months previously), all of which were broker-dealers.

The number of foreign IFs operating in Spain has decreased notably as a consequence of Brexit. Most of Spanish entities that provide services in the EU do so under the freedom to provide services regime.

Aggregate profit(loss) of investment firms before tax[1] FIGURE 21



Source: CNMV.

1 Except financial advisory firms and portfolio management companies.

2 Annualised data.

Broker-dealers reported a significant decrease in profit to €83 million, driven mainly by lower gains on financial investments and the rise in net fees.

As seen in Table 14, broker-dealers saw a decrease in aggregate profit before tax of more than €27 million, to €83 million, in the first half of the year. This was the result of both the increase in fees and commissions paid (34.4%, to €143 million) and the reduction in gains/(losses) on financial investments (-66.6%, to €23 million). One single entity (the largest) contributed largely to the increase in fees and commissions paid, which substantially increased fee payments for securities transactions and underwriting and placement of issues. Excluding that entity, fees and commissions barely changed in the first half of 2021, with an increase of only 0.7%. In parallel to the increase in fees and commissions paid, there was also a 29.8% increase in fees and commissions received, which reached €320 million at the end of June.

Aggregate profit and loss account (Jun-20)

TABLE 14

Amounts in thousands of euros

	Broker-dealers			Brokers		
	Jun-20	Jun-21	% change	Jun-20	Jun-21	% change
1. Net interest income	12,589	9,586	-23.9	551	75	-86.4
2. Net fees and commissions	140,318	177,191	26.3	65,697	76,041	15.7
2.1. Fees and commissions received	246,775	320,279	29.8	75,912	87,169	14.8
2.1.1. Processing and execution of orders	120,852	124,513	3.0	14,004	8,087	-42.3
2.1.2. Issue placement and underwriting	1,270	70,129	5,422.0	1,172	601	-48.7
2.1.3. Deposit and book-entry of securities	21,646	18,384	-15.1	417	286	-31.4
2.1.4. Portfolio management	5,513	6,577	19.3	6,648	9,371	41.0
2.1.5. Investment advice	2,809	2,764	-1.6	10,948	9,908	-9.5
2.1.6. Search and placement of block trades	358	1,497	318.2	0	418	-
2.1.7. Market credit transactions	0	0	-	0	0	-
2.1.8. Marketing of CISs	24,390	30,969	27.0	29,299	42,114	43.7
2.1.9. Other	69,936	65,447	-6.4	13,423	16,387	22.1
2.2. Fees and commissions paid	106,457	143,088	34.4	10,215	11,128	8.9
3. Gains/(losses) on financial investments	70,866	23,639	-66.6	-6,788	464	-
4. Net exchange differences	8,055	281	-96.5	-13	-3	76.9
5. Other operating income and expense	43,893	29,888	-31.9	-403	-1,869	-363.8
GROSS MARGIN	**275,721**	**240,585**	**-12.7**	**59,044**	**74,708**	**26.5**
6. Operating expenses	163,336	166,515	1.9	61,153	59,041	-3.5
7. Depreciation, amortisation and other charges	5,116	6,407	25.2	1,490	516	-65.4
8. Impairment losses on financial assets	-468	152	-	4	-18	-
OPERATING PROFIT/(LOSS)	**107,737**	**67,511**	**-37.3**	**-3,604**	**15,169**	-
9. Other gains and losses	2,315	15,167	555.2	3,467	1,043	-69.9
PROFIT/(LOSS) BEFORE TAX	**110,052**	**82,678**	**-24.9**	**-137**	**16,212**	-
10. Tax charge	13,523	14,898	10.2	1,410	2,537	79.9
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**96,529**	**67,780**	**-29.8**	**-1,547**	**13,675**	-
11. Profit/(loss) from discontinued operations	0	0	-	0	0	-
NET PROFIT/(LOSS) FOR THE YEAR	**96,529**	**67,780**	**-29.8**	**-1,547**	**13,675**	-

Source: CNMV.

In regard to income from the provision of services to third parties, fees and commission for issue placement and underwriting were the main reason for the overall increase, moving from practically negligible (€1.3 million at the end of 2020) to the second largest contribution, adding €70 million to fee income.[59] Income from processing and executing orders – the largest contributor – rose by 3.0% compared to the first half of 2020, to over €124 million.[60] In regard to other fees and commissions, the increase in fees for the marketing of CISs, which had fallen in the last three years, to €31 million (27.0%) stands out.

Fees and commissions for issue placement and underwriting were the main reason for the increase in fees and commissions received.

The operating expenses of securities companies increased slightly by 1.9% and this, coupled with the decrease in income led to a drop of 37.3% in operating profit, which went from €107.7 million in the first half of 2020 to €67.5 million in the same period of 2021. Profit before tax fell to a lesser extent, down 24.9%, to €82.7 million, due to the increase in "Other income" amounting to c.€13 million. As in recent years, a small number of companies generated most of the profits in this subsector, a trend that has also been increasing. Specifically, only two broker-dealers accounted for 57% of the net profit of companies reporting a profit, while four accounted for 75%.

A small number of entities generated most of the profits in this sector: only two broker-dealers accounted for more than half of the profit of companies reporting a profit.

All brokers receive income mainly from the provision of services to third parties because they cannot carry out investment activities on their own account. Some derive the bulk of their income from order processing and execution, a percentage that has reduced over the years, but most of them have tended to specialise in certain services such as CIS marketing or portfolio management. Further, independent entities predominate in this subsector, as only two of them belonged to financial institutions that were also investment banks, so most of their income comes from the provision of investment services.

Brokers, which cannot carry out investment activities on their own account, and which in recent years have tended to specialise in investment services other than processing and executing orders…

Aggregate profit before tax reported by brokers increased in the first half of 2021 compared to the same period of the previous year, moving out of negative ground to stand at €16.2 million.[61] This figure is also higher than in January-June 2019, when it was €7.4 million. The increase in profit was due to the rise in fees and commissions received and the gains on financial investments. In the last heading, however, the improvement was solely due to the poor performance in 2020 that was caused by one single entity (see Footnote 57). Fees and commissions received increased 4.8% to over €87 million.

…posted a pre-tax profit of €16.2 million, a figure that is much higher compared to the first half of the previous two years (€5.9 million in 2020, excluding an entity that was intervened, and €7.4 million in 2019).

Under income from fees and commissions received, fees for the marketing of CISs, which were already the highest, grew by 43.7% to over €42 million. Income from portfolio management, while still minor, also experienced a significant increase in

Fee income as a whole rose by 14.8%, to €87 million, with highlights including fees for the marketing of CISs, which grew by 43.7%.

59 These fees and commissions come almost exclusively from the aforementioned entity, specifically €67 million of the total of €70 million.

60 This increase was the result of the entity transferring part of its activity to Spain as a result of Brexit, whose business is mostly the processing and execution of orders. Thus, if this entity is excluded from the analysis, income from this item would have been just over €52 million, 12.3% below the value of the first half of 2020.

61 It is important to remember that the drop in profits in the first half of 2020 was almost exclusively due to one broker, Esfera Capital, Agencia de Valores, S.A., which had losses of €6 million and was intervened by the CNMV in March 2020. In May this year it was definitively liquidated. Excluding this entity, profit before tax in the first six months of 2020 would have been €5.9 million.

the first half of this year (+41.0%, to €9.4 million). In contrast, fees and commissions for processing and executing orders fell significantly (-42.3%) to stand at just over €8 million, moving to fourth place in the order of importance.

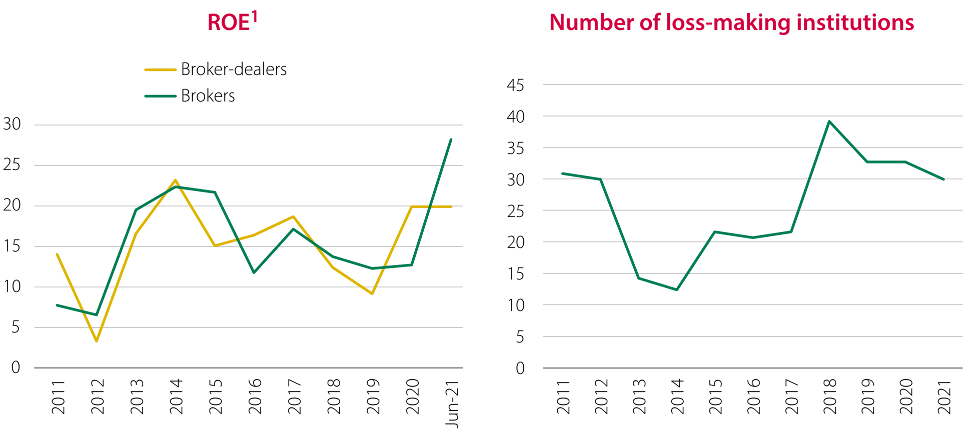
The increase in fees and commissions paid that was lower than those received, coupled with the decrease in operating expenses, led to a rise in operating profit to €15 million.

The increase in fee income from brokers occurred in parallel with that of fees paid to third parties, although in absolute and relative terms, the latter were much lower (8.9%). This put the aggregate gross margin up 26.5% to stand at €74.7 million. Meanwhile, operating expenses decreased by 3.5% compared to the same period in 2020, with personnel expenses down 5.8%. The combination of higher income growth compared to the decrease in operating expenses brought net operating profit to €15.2 million, compared to the loss of €3.6 million in January-June 2020.[62]

The ROE of IFs increased as a result of the earnings growth reported by brokers.

Sector ROE saw a substantial increase during the first half of the year, going from 18.7% to 20.9%, bolstered by the strong performance of brokers, which reported an increase in ROE of almost 16 pp, to stand at 28.1%. In the case of broker-dealers, the ratio remained stable at 19.7% as a result of the fall in profits that was similar to that of own funds (see left hand panel of Figure 22).

ROE before tax of IFs and number of loss-making institutions FIGURE 22



Source: CNMV.

1 ROE calculated using profit before tax.

The decline in sector profit was consistent with a reduction in both the number of loss-making companies and the volume of these losses.

The decrease in the sector's profits did not prevent a fall in the number of loss-making entities. In June 2021, ten broker-dealers and 19 brokers reported negative pre-tax earnings, two and one more, respectively, than at the end of 2020. This was reflected in the accumulated loss, as for both types of entities it was reduced by approximately half in relation to the same period in 2020: from €12.8 to €6.2 million for broker-dealers and €8.1 to €4.6 million for brokers.[63]

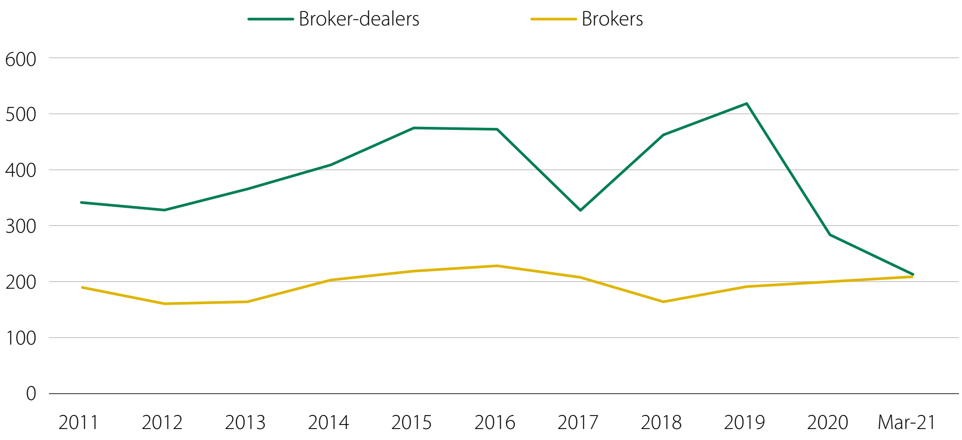
62 If the entity mentioned in the previous note is excluded from the analysis, operating profit for the first half of 2020 would have been €2.5 million.

63 In the calculation of entities with negative profit before tax and of the volume of these losses, only the entities outstanding at the end of the period were taken into account.

In regard to the solvency of these entities, the values at March this year continue to reflect a sector that, as a whole, has high levels of solvency in relative terms, although they have decreased since the end of the previous year. Thus, at the end of March the capital surplus 2.1 times higher than the capital requirement, while at the end of 2020 this figure was 2.8. This surplus, which had been substantially higher in broker-dealers than in brokers, has become more equal in the last two years and at the end of the first quarter of 2021 it stood at similar values (see Figure 23). It is important to note that from the second quarter of 2021 solvency ratio data are not available due to the entry into force of a new European regulation,[64] which implies a change in the disclosures that entities are required to submit to the CNMV. Under this new legislation, all companies will have to submit less information[65] but those that are considered small and not interconnected will have to do so less frequently (annually).[66]

Solvency in the sector remained at comfortable levels in the first quarter of 2021. From the second quarter onwards, the change in the European regulations on disclosures had come into force, so there is currently no data available.

IF solvency margin (capital surplus vs requirements) FIGURE 23



Source: CNMV.

Outlook

It is too early to forecast the possible structural consequences of the recent coronavirus crisis on the financial intermediaries sector, since the latest data show a continuation of the trends observed in previous years, with a high level of competition between entities (especially among banks, most of which have absorbed their own broker-dealers) and a highly concentrated IF sector, with an increasing weight of independent entities, which seek to specialise in traditionally less important investment services such as marketing or portfolio management activities. Consequently, its main activity, intermediation in the securities markets, is increasingly losing importance, partly due to the decrease in trading volumes and the transfer of part of the trading of Spanish securities to other, non-traditional, trading venues.

The COVID-19 crisis has not changed the trends in this sector, which is characterised by strong competition and the offer, by IFs, of traditionally less important investment services, such as the marketing of CISs or portfolio management.

64 Regulation (EU) 2019/2033 of the European Parliament and of the Council, of 27 November 2019, on the prudential requirements of investment firms and Directive (EU) 2019/2034 of the European Parliament and of the Council, of 27 November, on the prudential supervision of investment firms.

65 Only IFs with assets of more than €15 billion will be subject to the previous solvency regime. As of the closing date of this report, there are no Spanish IFs that meet this requirement.

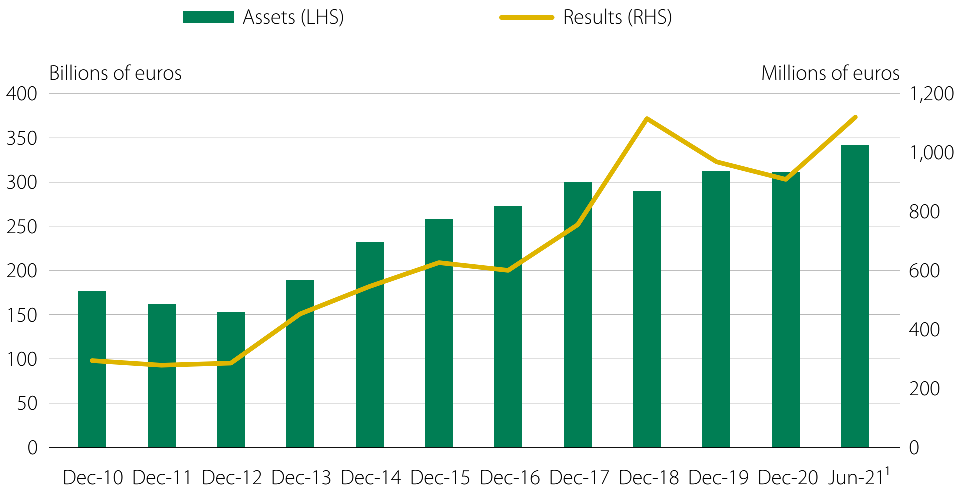
66 Small and non-interconnected IFs are considered to be entities with income, assets under management and operations that are below certain thresholds. In Spain around 50% of entities would fall into this group.

4.3 CIS management companies

The number of CIS management companies remained largely unchanged in the first six months of the year, with three registrations and one deregistration, while assets under managed grew by 9.9%, to €342 billion.

A total of 125 CIS management companies were registered with the CNMV at the end of June 2021, two more than at the end of 2020 with three registrations and one deregistration. The assets managed by these companies increased by 9.9% at the end of the first half of the year compared to the end of the previous year, at just under €342 billion. This recovery has taken place after a year (2020) marked by the pandemic, especially in the first half, in which there was a slight drop of 0.4% (see Figure 24). More than 95% of the increase in assets under management in 2021 was due to the investment fund segment, which, as mentioned in a previous section, grew significantly during the period.

CIS management companies: assets under management and profit before tax FIGURE 24



Source: CNMV.

1 Annualised data.

Profits reported by these entities increase substantially in the first half of 2021 compared to the same period of the previous year (+30.5%), with CIS management fees – the main component – rising to €1.40 billion.

In line with the increase in the assets managed by these institutions, their aggregate profit before tax rose by 30.5% in the first half of the year compared to the same period in 2020, to €560 million (see Figure 24). This substantial increase was due mainly to the rise in the main source of income of CIS management companies, i.e., CIS management fees, which in June accounted for 86% of total fees received by these entities. Thus, fee income went from €1.22 billion in the first half of 2020 to €1.40 billion in the same period of 2021 (14.8%). This increase was mainly due to the rise in assets under management, since the average management fees of CISs did not change, remaining at 0.82% (see Table 15).

Portfolio management and venture capital firms are the next most important activities in generating revenue for CIS management companies.

The discretionary management of portfolios and the management of venture capital firms were – albeit at a considerable distance – the next most important activities in the generation of income for the CIS management companies, with a weight of 8.1% and 2.7% of total fees received, respectively. Although these values are low, they have been progressively increasing in recent years. Thus, in both cases, the fees obtained from these activities rose sharply in the first half of 2021: fees for discretionary portfolio management increased by 35.5%, to €132.6 million and management fees for venture capital firms grew at a similar rate, 35.6%, to €47.7 million.

As shown in Table 15, the ratio of fee expenses for the marketing of funds to income from CIS management fee fell slightly in the first six months of 2021, although the ratio seems to have stabilised in the last three years. In previous years, it had marked downward trend, most notably in 2018, following the entry into force of the MiFID II regulation.[67] The percentage of fees and commissions assigned to marketers fell from 64.6% of the CIS management fees in 2012 to 48.5% in June 2021.

The percentage of the CIS management fee paid back to marketers remained at levels similar to those of the previous two years, following the significant reduction in 2018, after the entry into force of the MiFID II regulation.

The increase in aggregate earnings was reflected in the aggregate return on equity (ROE), which went from 79.4% in June 2020 to 98.9% in the same month of 2021. The number of loss-making companies decreased from 29 to 19 and the volume of these losses went from €5.6 million to €3.2 million.

In line with the increase in profits, return on equity (ROE) rose to 98.9% and the number of loss-making entities decreased to 19.

CIS management companies: assets under management, CIS management fees and average fee ratio TABLE 15

Amounts in millions of euros

	Assets under management	Income from CIS management fees	Average CIS management fees (%)	Fee ratio[1] (%)
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
2018	290,364	2,649	0.91	51.24
2019	312,235	2,638	0.84	49.75
2020	311,043	2,551	0.82	49.72
Jun-21[2]	341,959	2,802	0.82	48.47

Source: CNMV.

1 Relationship between costs from commissions for the marketing of funds and revenue from CIS management fees.

2 The data on commission revenue and the average management fee are annualised.

4.4 Other intermediaries: venture capital

In the first eight months of 2021, the expansion taking place in the venture capital sector in recent years continued, with large numbers of new vehicles registered. The number of registrations with the CNMV increased by 78 (76 investment vehicles and 2 management companies), with 94 registrations and 16 deregistrations.

The venture capital sector grew strongly between January and August 2021…

Traditional venture capital companies,[68] which remain by far the most numerous, saw high levels of activity, with 62 registrations. This, together with the 11 deregistrations,

…particularly affecting traditional venture capital undertakings, both funds and companies.

67 This large drop in 2018 was the result of the entry into force of the MiFID II regulation, which imposes strict conditions on kickbacks of fees from the manager to the marketer, which are also subject to strict transparency requirements.

68 Traditional entities are understood to be those that existed before the entry into force of Law 22/2014, of 12 November.

meant that at the end of August there were a total of 260 venture capital funds (VCF) and 210 venture capital companies (VCC). As in 2020, there were few movements in SME venture capital undertakings from January to August, with four registrations and three deregistrations, all companies, so that there were the same number of funds as on 31 December 2020 (13) and one more company (19). Eight European venture capital funds (EuVECA) were registered, putting the total at 39, and two European social entrepreneurship funds (EuSEF) were deregistered, standing at six at the end of August.[69]

Closed-ended collective investment entities, which enjoy high flexibility in their investment policy, also experienced a significant increase in the number of registered vehicles.

As since 2018, closed-ended collective investment schemes were also buoyant in the first eight months of 2021, with 14 registrations in the period. At 31 August, there were a total of 75 vehicles of this type, of which 40 were funds and 35 were companies. This type of collective investment scheme enjoys high flexibility both in its investment policy and in terms of compliance with investment ratios, which are more restrictive in the case of venture capital entities.

Registrations and deregistrations in the venture capital register in 2021 TABLE 16

	Situation as at 31/12/2020	Registrations	Deregistrations	Situation as at 31/08/2021
Entities				
Venture capital funds	235	31	6	260
SME venture capital funds	13	0	0	13
European venture capital funds (EuVECA)	31	8	0	39
European social entrepreneurship funds (EUSEF)	4	2	0	6
Venture capital companies	184	31	5	210
SME venture capital companies	18	4	3	19
Total venture capital entities	**485**	**76**	**14**	**547**
Closed-ended collective investment funds	33	7	0	40
Closed-ended collective investment companies	28	7	0	35
Total closed-ended collective investment entities	**61**	**14**	**0**	**75**
Management companies of closed-ended collective investment undertakings	**119**	**4**	**2**	**121**

Source: CNMV.

In 2020, the assets of the venture capital entities registered an increase of 22.9%, to €16 billion (71% for funds and the remaining 29% for companies).

In line with the registration data, throughout 2020 the assets of venture capital entities increased by 22.9% (24.2% in 2019) to over €16 billion. This growth was higher for venture capital funds, with an increase in assets of 40.5% to €11.35 billion, while venture capital companies saw an increase in assets of 6.2% to €4.68 billion (see Table 17).

Investment in venture capital funds increased, particularly investment from the foreign entities and natural persons.

Venture capital funds (including traditional and newly created funds, in this case SME, European funds and European social enterprise funds) there was a slight change in the relative importance of investors in 2020 in favour of the natural persons, in line with the trend observed in the two previous years. This made them the investors with the second largest shareholdings, with €1.60 billion (14.1% of the total), after foreign

69 EuVECA and the EuSEF are entities regulated under Regulation (EU) No. 345/2013 of the European Parliament and of the Council, of 17 April 2013, on European venture capital funds and Regulation (EU) No. 346/2013 of the European Parliament and of the Council, of 17 April 2013, on European social entrepreneurship funds.

entities, whose investments also grew sharply (63.2%, to €2.13 billion). Public administrations were third, with €1.43 billion, +11.1% compared to 2019.

In contrast, venture capital companies, which like funds include SME companies, saw a decrease in the relative importance of natural persons (-79.8%, to €150 million), although they continued to hold a share of the capital of just 3.2% compared to 86.8% for legal entities. Non-financial companies and other financial companies remained the two largest types of investors, with a joint holding of 67.5% of the total capital of venture capital companies (65.3% in 2019). The increase in investment by foreign entities also stands out, which, unlike funds, was practically nil until 2019 and stood at €734 million in 2020.

Non-financial companies and other financial companies remained the two main types of investors in venture capital companies.

Preliminary data for the first half of 2021 provided by the Spanish Association of Capital, Growth and Investment (ASCRI) reflect a rise of 27% in investment volumes compared to the same period in 2020, to €2.06 billion. However, figures for the first half of 2019 have not been reached, when around €4 billion were invested. In contrast, the number of transactions exceeded both those of 2020 and those of 2019, with a total of 394 (344 and 328 in the previous years), of which 359 corresponded to investments of less than €5 million.

According to preliminary data from ASCRI, investment in the venture capital sector increased by 27% in the first half of the year, standing at over €2 billion with a total of 394 transactions, 50 more than in the same period of 2020.

Venture capital firms: assets by investor type TABLE 17

Millions of euros

	Venture capital funds		Venture capital companies	
	2019[1]	2020[1]	2019[2]	2020[2]
Natural persons				
Resident	1,074.54	1,509.35	738.79	143.97
Non-resident	53.56	92.14	5.45	6.41
Legal persons				
Banks	175.55	253.68	112.35	121.91
Savings banks	90.48	117.80	11.56	11.50
Pension funds	729.17	866.43	11.69	20.92
Insurance companies	613.43	901.40	85.15	53.56
Broker-dealers and brokers	0.63	2.18	0.00	0.00
Collective investment schemes	484.18	514.19	7.77	16.70
Domestic venture capital entities	301.20	435.24	42.45	37.67
Foreign venture capital entities	406.98	420.67	165.09	54.12
Public administrations	1,290.91	1,433.68	176.99	185.88
Sovereign wealth funds	3.42	9.38	4.90	9.63
Other financial companies	770.17	953.02	1,428.52	1,437.85
Non-financial companies	1,091.52	1,398.45	1,450.13	1,722.28
Foreign entities	1,302.00	2,125.04	56.08	734.43
Other	245.01	312.91	110.34	125.19
Total	**8,632.75**	**11,345.55**	**4,407.26**	**4,682.00**

Source: CNMV.

1 Includes SME venture capital funds, EuVECA and EuSEF.

2 Includes SME venture capital companies.

By type of investor, the buoyant activity of international funds stood out, which invested 75% of the total volume, and according to the development phase of the project, venture capital was the protagonist in 316 of the transactions, with a volume of €731 million, marking a historical high.

As in recent years, international funds showed a great deal of interest in the Spanish market in the first months of 2021, carrying out 96 transactions that accounted for 75% of the total investment volume. In terms of the project development phase, the venture capital segment (seed and start-up phases) stands out, which was very active over the first six months of the year and carried out 316 transactions, with an investment volume of €731 million, thus exceeding all previous highs. In regard to fundraising by Spanish private operators, the sector seems to still be slowing, with a 34% decrease in volumes invested in relation to the same period of 2020, to €693 million.

II Reports and analysis

Sustainable Development Goals, sustainability indices and corporate governance: an analysis of Spanish listed companies

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Summary

This article analyses how the features of companies' corporate governance influence the implementation of sustainability actions that work towards achieving the Sustainable Development Goals (SDGs) proposed by the United Nations in 2015. For this purpose, a panel of Spanish companies listed on the continuous market in the period 2015-2019 is used. The article also looks at whether a company's level of commitment to the SDGs and its corporate governance features affect its inclusion in sustainability indices. The findings show that greater independence and greater gender diversity on a board of directors is no longer only an indication that a company probably considers the 2030 Agenda when designing its sustainability actions, but also that it addresses a larger number of SDGs. Other characteristics of corporate governance, such as the size of the board, the number of board meetings or the non-duality of the *Chief Executive Officer (CEO)*, do not appear to influence companies' commitment to the SDGs. The findings also reveal the importance of the size of the company and its adherence to the Global Compact as determinants of its commitment to the 2030 Agenda. The study concludes that neither the corporate governance characteristics of companies nor the fact that they include the 2030 Agenda in their sustainability actions appears to make it more probable that they will be included in sustainability indices.

Keywords: Corporate governance, sustainability, corporate social responsibility, Sustainable Development Goals, 2030 Agenda, sustainability, sustainability indices

JEL classification: G30; O19; M14

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1 Introduction

In 2015, the United Nations drew up 17 Sustainable Development Goals (SDGs) that encompass a total of 169 goals to be achieved by 2030 “in areas of critical importance to humanity and the planet” (United Nations, 2021). Since they were established and approved, the achievement of these SDGs – also known as the 2030 Agenda – has become one of the key lines of action for governments and public administrations across the world and the SDGs have become a global reference in sustainability (PWC, 2017). However, the private sector is also one of the main actors in the progress towards and achievement of these objectives, which cover protecting the environment, economic prosperity, well-being and the reduction of inequalities (Agarwal et al., 2017; United Nations, 2021). Thus, the United Nations, governments, regulators, academics and other economic and social agents encourage companies to play an active role in achieving the SDGs and integrating the 2030 Agenda into their strategies and activities, with a consensus on the need for this involvement to achieve the established goals (Avrampou et al., 2019; United Nations, 2021; Pillai et al. 2017). In the 2030 Agenda, companies are no longer just key agents (direct or principal) for the achievement of the objectives related to economic prosperity, such as *decent work and economic growth* (SDG 8), *responsible production and consumption* (SDG 12) or *industry, innovation and infrastructure* (SDG 9), the business activities they carry out can also contribute to achieving the SDGs relating to the protection of the environment from a global and sector standpoint, and their organisational and operational structures, can contribute to those relating to well-being and reducing inequality.

The contribution made by companies to ensuring the sustainability of the planet has become increasingly important in recent years. Proof of this is the development by companies of sustainability or corporate social responsibility (CSR) policies, the approval of legislation that requires companies to prepare reports that collect non-financial information, recommendations to companies included in corporate governance codes to incorporate information on sustainability or CSR in their annual reports, the growing issuance of sustainable financial products and the creation and consolidation of stock market indices that assess the environmental, social and good governance (ESG) dimension, among others. The recent draft European Commission directive on company law and corporate governance, which promotes the creation of long-term sustainable business value through the management of “issues related to sustainability, social and human rights, climate change or the environment” is particularly significant. This law is scheduled to enter into force in the second half of 2021 and it closely links sustainability with the corporate governance of companies (European Commission, 2021).

From an academic point of view, there is a consolidated and prolific line of research in the field of sustainability that studies how the organisational factors of companies and, specifically, corporate governance, contribute to the implementation and dissemination of sustainability or CSR activities. (Fernández-Gago et al. 2020; Hahn and Kühnen, 2013; Jain and Jamali, 2016). In this context, recent academic studies have addressed how the corporate governance structures of companies contribute to the inclusion of the 2030 Agenda in their sustainability actions. Martínez-Ferrero and García-Meca (2020) point out that the strength of corporate governance, specifically the independence of the board and the non-duality of the Chief Executive Officer (CEO), encourages the inclusion of SDGs in sustainability reports for a sample of 365 European companies; while Rosati and Faria (2019) affirm that gender diversity and younger directors are two other corporate governance characteristics that positively determine the design of SDG initiatives in an international sample made up of 408 companies. Furthermore, sector studies demonstrate that in the banking sector, the entities most committed to achieving the SDGs also present greater gender diversity on their boards of directors (Gallego-Sosa et al., 2021), while studies focused on a single institutional setting, such as Pizzi et al. (2021) in Italy, signal that the independence of the board establishes that GRIs (Global Reporting Indicators) included in companies' sustainability reports are aligned with the SDGs, while the size of the board does not.

This article continues the line of this emerging research by analysing how the characteristics of corporate governance influence the implementation of sustainability actions that work towards the achievement of the SDGs for a panel of Spanish companies listed on the continuous market in the period 2015-2019. Additionally, it looks at whether the corporate governance of companies and their level of commitment to these goals affect their inclusion in sustainability stock market indices.

The findings show that greater independence and greater gender diversity on a board of directors is no longer only an indication that a company probably considers the 2030 Agenda when designing its sustainability actions, but also that it addresses a larger number of SDGs. Other characteristics of corporate governance, such as the size of the board, the number of board meetings or the non-duality of the CEO, do not appear to influence companies' commitment to the SDGs. The results also reflect the importance of companies' adherence to the Global Compact as a determinant of their commitment to the 2030 Agenda, in line with previous literature (Rosati and Faria, 2019; Martínez-Ferrero and García-Meca, 2020). However, unlike other institutional settings, in Spain, the size and market value of companies also positively affect a company's commitment to the SDGs.

The purpose of this work is to contribute to the area of corporate governance and sustainability in various ways. It is the first study to analyse how all Spanish listed companies implement their sustainability actions in accordance with the SDGs. It thus quantifies the proportion of companies that claim to include the 2030 Agenda in their business activities and identifies which SDGs are most frequently addressed, and which fall into second place, also factoring in the timing and sectoral component. Also, while previous literature has focused on analysing the impact of corporate governance on the probability that companies will mention the SDGs in their sustainability or CSR reports, this study goes further and considers the number of SDGs that companies claim to address. In addition, the samples used in previous studies are made up of companies that prepare their sustainability or CSR reports in accordance with international GRIs (Global Reporting Initiative, 2021). This study considers an entire market and therefore extends the analysis to different types of companies, which makes it possible to assess the issues raised not only for companies that are relatively similar and follow specific standards for the disclosure of sustainability information. Lastly, this work looks into whether a company's commitment to the 2030 Agenda positively conditions its inclusion in stock market indices that factor in ESG criteria. However, neither the corporate governance characteristics of companies nor the fact that they include the 2030 Agenda in their sustainability actions make it more probable that they will be included in these sustainability indices.

The rest of the article is structured as follows: Section 2 describes the database, the variables and the methodology used in the study, and the findings are presented in Section 3. The conclusions, limitations and future lines of research are set out in Section 4.

2 Database, variables and methodology

2.1 Sample and database

The sample is a panel made up of all Spanish companies (financial and non-financial) that were listed on the continuous market in the period 2015-2019. The sample is an unbalanced panel composed of 132 companies and 591 observations, as described in Table 1.

Sample description TABLE 1

Year	N	%
2015	112	18.95
2016	118	19.97
2017	122	20.64
2018	122	20.64
2019	117	19.80
Total	**591**	**100.00**

Source: Compiled by the authors.

The information needed to estimate the variables used in the study has been extracted manually from various sources. The data on the SDGs come from the companies' sustainability reports, CSR reports, annual reports, integrated reports, management reports and non-financial information statements. Information on companies' adherence to the Global Compact has been sourced from the United Nations Global Compact (2021) website. Information on the inclusion of companies in different sustainability indices has been extracted from the Madrid Stock Exchange (2021), S&P Dow Jones Indices (2021) and Qontigo (2021). Corporate governance data come from the companies' annual corporate governance reports (ACGR) and financial information from the Thomson Reuters Eikon databases and the Madrid Stock Exchange.

2.2 Variables

Annex I contains definitions of the variables used in the study. First, a series of variables are estimated to collect the information that companies prepare on their sustainability actions and commitment to the SDGs. The *sustainability* variable is a dummy variable, which takes the value 1 if the company reports on its sustainability actions in its annual reports, either through the preparation of a sustainability or CSR report, through an integrated report or by including information in its annual report, management report or in its non-financial information statement. For variables referring to the companies' commitment to the 2030 Agenda, a dummy (*SDG*) variable is estimated, which takes the value 1 if the company mentions the SDGs among its sustainability actions and 0 otherwise. Similarly, 17 dummy variables are estimated for each of the 17 SDGs defined by the United Nations to determine whether the company makes explicit reference to them (*SDG 1 – No poverty; SDG 2 – Zero hunger; SDG 3 – Good health and well-being; SDG 4 – Quality education; SDG 5 – Gender equality; SDG 6 – Clean water and sanitation; SDG 7 – Affordable and clean energy; SDG 8 – Decent work and economic growth; SDG 9 – Industry, innovation and infrastructure; SDG 10 – Reduced inequalities; SDG 11 – Sustainable cities and communities; SDG 12 – Responsible consumption and production; SDG 13 – Climate action; SDG 14 – Life below water; SDG 15 – Life on land; SDG 16 – Peace, justice and strong institutions,* and *SDG 17 – Partnerships for the goals*). Finally, the *NSDG* variable reflects the total number of SDGs that the company claims to address.

The inclusion of companies in sustainability indices is captured through four dummy variables, which take the value 1 if the company is indexed on the FTSE 4 Good Ibex, DJSI World, DJSI Europe or STOXX Global ESG indices, respectively. Furthermore, the *index* variable takes the value 1 if the company is indexed in any of the four sustainability indices mentioned above and 0 otherwise. Lastly, in relation to sustainability, the dummy variable *adherence to the Global Compact* shows whether the company is a member of the United Nations Global Compact.

The characteristics of corporate governance are measured through four continuous variables and one dummy variable: i) the number of members of the board of directors (*board size*); ii) the percentage of independent directors (*independent directors)*; iii) the percentage of female directors (*female directors*); iv) the number of annual meetings held by the board of directors (*board meetings*), and v) a dummy variable, which takes the value 1 when the position of Chairman of the Board of Directors is not held by the same person who holds the position of general manager or *CEO* of the company (*non-duality*). An additional dummy, which takes the value 1 when the board of directors has a specific sustainability or CSR committee and 0 otherwise (*sustainability committee*), is also included.

Lastly, variables are defined that collect a series of company characteristics: the logarithm of the book value of the total assets as a *proxy* variable of the size of the company (*assets*), the *leverage* ratio, the *market-to-book ratio as a proxy* of the market value of the company, and the number of years elapsed since the company was founded (*age*).

2.3 Methodology

After the descriptive analysis, to assess whether the characteristics of corporate governance influence the probability that companies report on their commitment to the 2030 Agenda, probit models are used for panel data, and to analyse whether corporate governance influences the number of SDGs that companies claim to address, tobit models for panel data are estimated.

The probit models for panel data are estimated as follows:

$$E[ODS_{it}^{*} \mid GC_{it}, GC_{it-1}, X_{it}] = \alpha_0 + \beta_1 GC_{it} + \beta_2 GC_{it-1} + \beta_3 X_{it} + \sum_{t=2015}^{2019} A_t + \sum_{j=1}^{7} S_{ij} + \varepsilon_{it}$$

where ODS_{it} is a dummy variable which reflects whether company i in year t reports on its commitment to the SDGs; GC_{it} and GC_{it-1} are the explanatory variables that refer to the characteristics of corporate governance (*board size*, *independent directors, female directors, board meetings* and *non-duality*); X_{it} are the control variables (*sustainability committee, adherence to the Global Compact, assets, leverage, market-to-book ratio* and *age*); $\sum_{t=2015}^{2019} A_t$ and $\sum_{j=1}^{7} S_{ij}$ are a set of dichotomous variables that show the annual effects and the sector, respectively, and ε_{it} is the random error term.

The tobit models for panel data are estimated as follows:

$$E[NODS_{it} \mid GC_{it}, GC_{it-1} X_{it}, NODS_{it} > 0] = \alpha_0 + \beta_1 GC_{it} + \beta_2 GC_{it-1} + \beta_3 X_{it} + \\ + \sum_{t=2015}^{2019} A_t + \sum_{j=1}^{7} S_{ij} + \vartheta \lambda_{it} + \varepsilon_{it}$$

where $NODS_{it}$ is a continuous variable truncated at zero ($NODS = 0$ in 64.64% of the observations) that captures the number of SDGs that company i in year t claims to address; λ_{it} is the inverse Mills ratio that captures the degree of truncation; GC_{it}, GC_{it-1}, X_{it}, $\sum_{t=2015}^{2019} A_t$ and $\sum_{j=1}^{7} S_{ij}$ are the same vectors of variables used in the probit models, and ε_{it} is the random error term.

Panel data models control for unobservable heterogeneity by decomposing the random error term into two components: i) a joint effect (μ_{it}) that depends on the company and the period of time, and ii) an individual effect (η_i) that captures the characteristics of the companies and remains constant over time. The variable *female directors* has been estimated in the period *t-1* to control for potential endogeneity problems, as it relates to 2 of the 17 SDGs (*SDG 5 – Gender equality* and *SDG 10 – Reduced inequalities*).

Additionally, an analysis is made of whether the characteristics of corporate governance influence the number of SDGs that companies declare to address for the subsample of companies that report on their sustainability actions. To do this, the two-stage Heckman method is used to control for sample selection bias. In other words, it is considered that the decision to report on sustainability actions is not random, but rather the result of another process.

In the first stage of the Heckman analysis, the probability of a company reporting on its sustainability actions is estimated through a probit model (selection equation), while in the second stage the final model is estimated using the ordinary least squares (OLS) method. The Heckman method requires that: i) at least one variable be identified that is significant in the first stage or selection equation and not in the second stage, and ii) that most of the variables included in the second stage are also included in the selection equation. The variable included in the first stage is a dummy variable (*R54*), which takes the value 1 when companies declare in their ACGR that they comply with recommendation 54 of the Code of good governance of listed companies (2015),[1] and 0 otherwise. This variable (*R54*) is significant in the selection equation (i.e. it significantly influences the probability of a company reporting on its sustainability performance) but not the final equation (i.e. it does not influence the number of SDGs that the company claims to address).

To control for potential sample selection bias, the two-stage Heckman method generates an additional parameter, the inverse Mills ratio, which is included in the equation in the second estimation stage as an additional regressor and approximates the probability of a company reporting on its sustainability actions.

The selection equation is defined as:

$$E[Sostenibilidad_{it}^{*} \mid R54_{it} GC_{it}, X_{it}] = \delta_0 + \gamma_1 R54_{it} + \gamma_2 GC_{it} + \gamma_3 X_{it} + \sum_{t=2015}^{2019} A_t + \sum_{j=1}^{7} S_{ij} + \mu_{it}$$

where $Sostenibilidad_{it}$ is a dummy variable which reflects whether company *i* in year *t* reports on its sustainability actions; $R54_{it}$ is the additional variable included in the selection equation, which reflects the company's compliance with recommendation 54 of the Code of good governance of listed companies; GC_{it} are the explanatory variables that refer to the characteristics of corporate governance (*board size, independent directors, female directors, board meetings* and *non-duality*); X_{it} are the control variables (*sustainability committee*, *adherence to the Global Compact*, *assets*, *debt, market-to-book ratio* and *age*); $\sum_{t=2015}^{2019} A_t$ and $\sum_{j=1}^{7} S_{ij}$ are the set of dichotomous variables that show the annual effects and the sector, respectively, and μ_{it} is the random error term.

The corrected equation is defined as:

$$NODS_{it} = \alpha_0 + \beta_1 GC_{it} + \beta_2 GC_{it-1} + \beta_3 X_{it} + \sum_{t=2015}^{2019} A_t + \sum_{j=1}^{7} S_{ij} + \vartheta \lambda_{it} + \varepsilon_{it}$$

1 "That the corporate social responsibility policy includes the principles or commitments that the company voluntarily assumes in its relationship with the different stakeholders and identifies at least: a) the objectives of the corporate social responsibility policy and the development of support instruments; b) corporate strategy related to sustainability, environment and social issues; c) specific practices in matters related to: shareholders, employees, clients, suppliers, social issues, environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal conduct; d) the methods or systems for monitoring the results of the application of the specific practices indicated in the previous letter, the associated risks and their management; e) the mechanisms for supervising non-financial risk, ethics and business conduct".

where $NODS_{it}$ captures the number of SDGs that company i in year t claims to address; λ_{it} is the inverse Mills ratio that is calculated as sigma (σ) multiplied by rho (ρ), where sigma is the standard deviation of the residuals of the second stage equation and rho is the correlation between the error terms of the first and second stage equations; GC_{it}, GC_{it-1}, X_{it}, $\sum_{t=2015}^{2019} A_t$ and $\sum_{j=1}^{7} S_{ij}$ are the same vectors of variables included in the selection equation, and ε_{it} is the random error term.

Lastly, to analyse whether the fact that companies report their commitment to the 2030 Agenda and the number of SDGs they claim to address influences the probability that companies will be included in sustainability indices, probit models are estimated for panel data as follows:

$$E[Índice_{it}^{*} \mid VODS_{it-1}, Z_{it-1}] = \alpha\zeta_0 + \beta_1 VODS_{it-1} + \beta_2 Z_{it-1} + \sum_{t=2015}^{2019} A_t + \sum_{j=1}^{7} S_{ij} + \varepsilon_{it}$$

where $Index_{it}$ is a dummy variable which reflects whether company i in year t is included in the FTSE 4 Good Ibex index, the DJSI World or DJSI Europe indices, or in the STOXX Global ESG index; $VODS_{it-1}$ is a vector of variables that refer to the information that companies include in their reports on their commitment to the 2030 Agenda (SDG and NSDG); Z_{it-1} are the control variables (*board size, independent directors, female directors, board meetings, non-duality, sustainability committee, adherence to the Global Compact, assets, debt, market-to-book ratio* and *age*); $\sum_{t=2015}^{2019} A_t$ and $\sum_{j=1}^{7} S_{ij}$ are a set of dichotomous variables that collect the annual effects and the sector, respectively, and ε_{it} is the random error term.

3 Results

3.1 Descriptive analysis

Table 2 presents the descriptive analysis for all the variables considered in the study (2015-2019). Panel A shows the descriptions of the variables related to information on sustainability and SDGs, panel B shows the variables related to the inclusion of companies in sustainability indices and adherence to the Global Compact, panel C shows the statistics of the variables related to the characteristics of corporate governance, and, lastly, panel D shows the descriptive statistics of the variables that include companies' other relevant characteristics.

The results included in panel A reveal that 81.22% of companies include information on their *sustainability* actions in their annual reports in the period 2015-2019, while the percentage of companies that include information on their commitment to the SDGs stands at 44.33%. On average, Spanish listed companies address 4 SDGs of the 17 established (*NSDG*), the most frequent SDG being *SDG 8 – Decent work and economic growth* (31.81%), *SDG 13 – Climate action* (28.93%), *SDG 7 – Industry, innovation and infrastructure* (27.75%), *SDG 4 – Quality education* (25.55%) and *SDG*

12 – Responsible consumption and production (25.04%), which are addressed by more than a quarter. Between one quarter and one fifth of companies address *SDG 5 – Gender equality* (24.20%), *SDG 17 – Partnerships for the goals* (24.03%), *SDG 3 – Good health and well-being* (23.01%), *SDG 7 – Affordable and clean energy* (23.01%), *SDG10 – Reduced inequalities* (21.49%) and *SDG 11 – Sustainable cities and communities* (21.32%). The SDGs most infrequently addressed are *SDG 16 – Peace, justice and strong institutions* (19.63%), *SDG 1 – No poverty* (16.41%), *SDG 15 – Life on land* (16.07%), *SDG 6 – Clean water and sanitation* (15.23%), *SDG 14 – Life below water* (11.84%) and *SDG2 – Zero hunger (*the latter was addressed by only 11.17% of the companies in the sample).

Regarding the inclusion of companies in the different sustainability indices (panel B), the statistics show that the percentage of Spanish companies included in the European and global sustainability indices is around 10%, with a greater presence in the *DJSI World* index (13.03%), followed by the *STOXX Global ESG* (11.51%) and the *DJSI Europe* (11.51%). The *FTSE 4 Good Ibex*, made up exclusively of Spanish companies, encompasses an average of 34.01% of the companies in the sample, including the vast majority of companies listed on the European and world indices. Thus, 35.36% of Spanish companies are part of a *sustainability index*. 44.33% of companies show *adherence to the Global Compact*. Although this percentage coincides with the number of companies that declare their commitment to the 2030 Agenda (SDG = 44.33%), not all companies that adhere to the Global Compact report on their actions relating to the SDGs and vice versa.

Regarding the characteristics of corporate governance, boards of directors are made up of an average of ten members (*board size*), of which 44.03% are *independent directors* and 18.24% are *female directors*. The boards of directors meet 11 times a year, on average (*board meetings*). In 70.22% of the companies, the position of chairman of the board of directors is not held by the same person who holds the position of general director or *CEO* (*non-duality*). Lastly, 9.14% of boards have a specific *sustainability committee*.

Panel D shows that, on average: *assets* total €34,236.84 million; companies have a *leverage* ratio 0.70; the *market-to-book* takes a value of 1.71 and the companies are 46 years old (*age*).

Descriptive statistics

TABLE 2

Panel A: information on sustainability and SDGs

Variable	Average/ frequency (a)	SD	Min.	Median	Max.	N
Sustainability (a)	81.22	0.39	0	1	1	591
SDG (a)	44.33	0.50	0	0	1	591
SDG 1 – No poverty (a)	16.41	0.37	0	0	1	591
SDG 2 – Zero hunger	11.17	0.32	0	0	1	591
SDG 3 – Good health and well-being (a)	23.01	0.42	0	0	1	591
SDG 4 – Quality education (a)	25.55	0.44	0	0	1	591
SDG5 – Gender equality (a)	24.20	0.43	0	0	1	591
SDG 6 – Clean water and sanitation (a)	15.23	0.36	0	0	1	591
SDG 7 – Affordable and clean energy (a)	23.01	0.42	0	0	1	591
SDG 8 – Decent work and economic growth (a)	31.81	0.47	0	0	1	591
SDG 9 – Industry, innovation and infrastructure (a)	27.75	0.45	0	0	1	591
SDG 10 – Reduced inequalities (a)	21.49	0.41	0	0	1	591
SDG 11 – Sustainable cities and communities (a)	21.32	0.41	0	0	1	591
SDG 12 – Responsible consumption and production (a)	25.04	0.43	0	0	1	591
SDG 13 – Climate action (a)	28.93	0.45	0	0	1	591
SDG 14 – Life below water (a)	11.84	0.32	0	0	1	591
SDG 15 – Life on land (a)	16.07	0.38	0	0	1	591
SDG 16 – Peace, justice and strong institutions (a)	19.63	0.40	0	0	1	591
SDG 17 – Partnerships for the goals (a)	24.03	0.43	0	0	1	591
NSDG	3.66	5.71	0	0	17	591

Panel B: sustainability indices and adherence to the Global Compact

Variable	Frequency	SD	Min.	Median	Max.	N
FTSE 4 Good Ibex	34.01	0.47	0	0	1	591
DJSI World	13.03	0.34	0	0	1	591
DJSI Europe	10.66	0.31	0	0	1	591
STOXX Global ESG	11.51	0.32	0	0	1	591
Index	35.36	0.48	0	0	1	591
Adherence to the Global Compact	44.33	0.50	0	0	1	591

Panel C: corporate governance

Variable	Average/ frequency (a)	SD	Min.	Median	Max.	N
Size of the Board	10.26	3.27	4	10	18	591
Independent directors	44.03	15.71	12.5	42.86	100	591
Female directors	18.24	12.18	0	16.67	57.14	591
Board meetings	11.01	4.11	1	11	42	591
Non-duality (a)	70.22	0.46	0	1	1	591
Sustainability committee (a)	9.14	0.29	0	0	1	591

Panel D: other features

Variable	Average	SD	Min.	Median	Max.	N
Assets	14.38	2.42	7.83	14.20	21.14	591
Assets (millions of euros)	34,236.83	15.3819.9	2.52	1,468.99	1,522,695	591
Leverage	0.70	0.34	0.01	0.69	3.64	591
Market-to-book ratio	1.71	1.99	0.38	1.24	32.16	591
Age	46.44	34.78	0	39	188	591

Source: Own calculations.

Table 3 shows the annual performance of the sustainability and SDG-related variables in the 2015-2019 period. The percentage of companies that report their actions in the field of *sustainability* in their annual reports grew continuously during the study period from 72.32% in 2015 to 89.74% in 2019. Similarly, the percentage of companies that report their commitment to the SDGs also increased from 17.86% in 2015 to 67.52% in 2019.

Among the companies that reported on sustainability actions in their annual reports or other reports (sustainability = 1) in 2015, the year in which the 2030 Agenda was approved, the percentage of companies that included information on SDGs stood at 24.69%, rising to 75.24% in 2019. It was also observed that companies reporting on their commitment to the 2030 Agenda included an average of eight SDGs. Although the average number of SDGs included practically doubled in 2016 (8.53) compared to the previous year (4.75 in 2015), the number of SDGs addressed between 2016 and 2019 has remained practically stable, oscillating between eight and nine.

Descriptive analysis of information on sustainability and SDGs

TABLE 3

Panel A: all companies

Variable/Year	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Sustainability	72.32	73.73	83.61	86.07	89.74	81.22
SDG	17.86	33.90	45.08	55.74	67.52	44.33
N	**112**	**118**	**122**	**122**	**117**	**591**

Panel B: companies that report on sustainability (Sustainability = 1)

Variable/Year	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
SDG	24.69	45.98	53.92	64.76	75.24	54.58
N	**81**	**87**	**102**	**105**	**105**	**480**

Panel C: companies addressing SDGs (SDG = 1)

Variable/Year	**2015**	**2016**	**2017**	**2018**	**2019**	Total
SDG 1 – No poverty	25	45	47.27	30.88	34.17	36.19
SDG 2 – Zero hunger	20	27.5	23.64	20.59	30.38	24.63
SDG 3 – Good health and well-being	25	52.5	58.18	51.47	54.43	50.75
SDG 4 – Quality education	40	50	60	58.82	63.29	56.34
SDG5 – Gender equality	35	57.5	58.18	55.88	54.43	53.34
SDG 6 – Clean water and sanitation	15	37.5	36.36	36.76	34.18	33.58
SDG 7 – Affordable and clean energy	30	52.5	52.73	55.88	53.16	50.75
SDG 8 – Decent work and economic growth	45	72.5	80	69.12	74.68	70.15
SDG 9 – Industry, innovation and infrastructure	25	65	69.09	61.76	67.09	61.19
SDG 10 – Reduced inequalities	30	47.5	50.91	48.53	51.90	47.39
SDG 11 – Sustainable cities and communities	20	55	53.36	42.65	50.63	47.01
SDG 12 – Responsible consumption and production	40	50	60	52.94	64.56	55.22
SDG 13 – Climate action	35	62.5	72.73	63.23	70.89	63.81
SDG 14 – Life below water	20	32.5	29.09	25	25.32	26.12
SDG 15 – Life on land	20	42.5	36.36	33.82	39.24	35.45
SDG 16 – Peace, justice and strong institutions	25	50	49.09	41.18	45.57	43.28
SDG 17 – Partnerships for the goals	25	52.5	58.18	52.94	60.76	52.99
NSDG	4.75	8.53	8.98	8.01	8.75	8.08
N	**22**	**43**	**56**	**68**	**79**	**268**

Source: Own calculations.

As shown in Table 3 and Figure 1, companies that addressed SDGs prioritised *SDG 8 – Decent work and economic growth* throughout the study period. Differences were observed throughout the study period with respect to the other SDGs, although certain patterns also emerge. For example, the SDGs most frequently covered by companies include *SDG 13 – Climate Action,* which was in the top five throughout the study period, and *SDG 9 – Industry, innovation and infrastructure,* which, while not among the top five in 2015, ranked second in 2016 and was the third SDG most frequently addressed by Spanish companies between 2017 and 2019.

SDG 4 – Quality Education and *SDG 12 – Responsible consumption and production,* also stand out as one of the five most frequently addressed SDGs overall. However, this did not occur throughout the study period, as they lost importance in 2016, falling to ninth and tenth position, respectively. Lastly, while it does not feature among the five priority SDGs, companies paid special attention to *SDG 5 – Gender equality*, which was always between the fourth and seventh most frequently addressed goal.

Similarly, although there have been short-lived variations, certain patterns have been observed among the five SDGs least addressed by Spanish companies. Over the entire study period, the *SDG 2 – Zero hunger*, *SDG 14 – Life below water*, *SDG 6 – Clean water and sanitation* and *SDG 15 – Life on land* were last in the ranking. While *SDG 1 – No poverty* was not one of the five least addressed SDGs in 2015, from 2016 onwards it has been one of the five that are the least important for Spanish companies. It should be noted that one of the goals that has seen the greatest change in its order of priority is *SDG 11 – Sustainable cities and communities*. In 2015, this was one of the five least frequently addressed goals, and a year later it was among the five priority SDGs for companies, while occupying intermediate positions (9th and 11th in the ranking) between 2017 and 2019. All other goals, with some variations, occupied intermediate positions during the study period (ranging from 6th to 12th).

This analysis appears to reveal that companies have prioritised decent work, economic growth and climate action, since the SDGs were established, while placing goals such as zero hunger, life below water, clean water and sanitation, life on land, and to some extent, no poverty at the bottom of the list. The analysis also shows that once companies had set their priority objectives in 2015, adjustments were made in 2016, and several goals suffered significant variations in the order of priority. However, in 2017, the ranking was adjusted once again and became more similar to that seen in 2015 and 2016, and this appeared to remain relatively stable until 2019.

Annual and global SDG ranking

FIGURE 1

Position/Year	2015	2016	2017	2018	2019	Total
1st	8	8	8	8	8	8
2nd	4	9	13	13	13	13
3rd	12	13	9	9	9	9
4th	13	5	4	4	12	4
5th	5	11	12	5	4	12
6th	7	17	5	7	17	5
7th	10	3	17	12	5	17
8th	9	7	3	17	3	3
9th	17	4	11	3	7	7
10th	3	12	7	10	10	10
11th	16	16	10	11	11	11
12th	1	10	16	16	16	16
13th	11	1	1	6	15	1
14th	15	15	15	15	6	15
15th	14	6	6	1	1	6
16th	2	14	14	14	2	14
17th	6	2	2	2	14	2
N	22	43	56	68	79	268

Source: Compiled by the authors.

Figure 2 shows the correlation coefficients between the SDGs addressed by the companies during the study period. The SDG most frequently addressed by companies, *SDG 8 – Decent work and economic growth*, shows a high correlation with three other most frequently addressed SDGs: *SDG 4 – Quality education*; *SDG 9 – Industry, innovation and infrastructure* and *SDG 13 – Climate action*. Additionally, while there is significant positive and significant correlation between all the SDGs, *SDG 2 – Zero* *hunger* is the least correlated with the remaining 16 SDGs, followed by *SDG 14 – Life below water*. SDG 2 and SDG 14 are two of the SDGs that are least frequently addressed by companies and, in general, the more frequently the SDG is addressed, the greater its correlation with the other goals, and vice versa.

Correlation coefficients FIGURE 2

SDG	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2	0.670															
3	0.680	0.598														
4	0.704	0.519	0.786													
5	0.624	0.477	0.705	0.738												
6	0.651	0.612	0.596	0.594	0.640											
7	0.604	0.483	0.580	0.657	0.686	0.686										
8	0.619	0.473	0.731	0.816	0.776	0.580	0.757									
9	0.603	0.464	0.685	0.746	0.753	0.610	0.739	0.826								
10	0.691	0.534	0.693	0.704	0.763	0.604	0.624	0.748	0.660							
11	0.628	0.498	0.668	0.671	0.709	0.665	0.658	0.709	0.739	0.693						
12	0.598	0.539	0.733	0.718	0.759	0.614	0.658	0.788	0.706	0.753	0.719					
13	0.624	0.496	0.724	0.756	0.772	0.592	0.768	0.862	0.755	0.711	0.707	0.759				
14	0.643	0.568	0.559	0.542	0.563	0.690	0.583	0.503	0.486	0.573	0.576	0.525	0.540			
15	0.664	0.649	0.625	0.578	0.613	0.738	0.680	0.591	0.603	0.601	0.627	0.608	0.655	0.695		
16	0.736	0.542	0.661	0.707	0.735	0.668	0.641	0.705	0.702	0.737	0.669	0.698	0.699	0.676	0.665	
17	0.660	0.492	0.681	0.724	0.737	0.566	0.615	0.772	0.722	0.728	0.607	0.708	0.768	0.542	0.595	0.759

Source: Compiled by the authors. All correlation coefficients are significant at 1%.

Table 4 shows the variables related to the sustainability and SDG-related information provided by companies by sector of the economy. The percentage of companies that report on their *sustainability* action is higher for the financial sector (91.43%), followed by industrial companies (90.91%), technology and telecommunications (88.64%) and consumer services companies (80.23%). 75.51% of companies in the oil and energy sector include information on *sustainability* in their annual reports, falling to 73.68% in the consumer goods sector and 65.15% in the real estate sector. Companies in the real estate sector also address SDGs least frequently, in percentage terms (SDG = 12.12%) and by number (NSDG = 0.68). Companies that produce consumer goods are also at the bottom of the ranking, with 32.33% of companies addressing 2.17 SDGs on average. Although firms in the technology and telecommunications sector do not report widely on their sustainability actions, they do report most frequently report on their commitment to SDGs (65.91%), followed by companies in the oil and energy sector (63.27%). In these two sectors, although the difference is very small, companies in the oil and energy sector address a greater number of SDGs (5.92) than technology and telecommunications firms (5.82). In the remaining sectors, 62.86% of financial companies, 51.16% of consumer services companies and 44.06% of industrial companies report on their commitment to SDGs and address (a mean of) 4.59, 4.52 and 4.03 SDGs respectively.

Information on sustainability and SDGs by sector TABLE 4

	Oil and energy	Basic mats., industry and construction	Consumer goods	Consumer services	Financial services	Technology and telecommunications	Real estate services
Variables	**N = 49**	**N = 143**	**N = 133**	**N = 86**	**N = 70**	**N = 44**	**N = 66**
Sustainability	75.51	90.91	73.68	80.23	91.43	88.64	65.15
SDG	63.27	44.06	32.33	51.16	62.86	65.91	12.12
NSDG	5.92	4.03	2.17	4.52	4.59	5.82	0.68

Source: Own calculations.

As shown in Figure 3, the priority SDGs for companies are not the same for each sector. While *SDG 8 – Decent work and economic growth* and *SDG 13 – Climate action* are among the five priority SDGs for companies in all sectors, they are not always the two most important, as reflected in the data for total sample (Figure 1). Thus, *SDG 8 – Decent work and economic growth* is the most frequently addressed SDG in the industrial sector and by consumer, financial and real estate services companies. Firms in the oil and energy sector most frequently address *SDG 7 – Affordable and clean energy*. Companies in the consumer goods sector give priority to *SDG 12 – Responsible consumption and production* and technology and telecommunications firms focus on *SDG 9 – Industry, innovation and infrastructure*.

Another of the most significant differences found in the analysis by sector compared to the analysis of the total sample is that several sectors include among their five main SDGs some that are in the middle of the ranking in the total sample. For instance, consumer service companies prioritise *SDG 3 – Good health and well-being* ahead of *SDG 8 – Decent work and economic growth* and *SDG 13 – Climate action*, and the industrial sector similarly prioritises *SDG 3 – Good health and well-being* ahead of *SDG 13 – Climate action*. *SDG 17 – Partnerships for the goals* is the third most frequently addressed SDG by consumer service companies and *SDG 11 – Sustainable cities and communities,* holds this position among real estate service companies. *SDG 10 – Reduced inequalities* and *SDG 7 – Affordable and clean energy* are the fifth most frequently addressed goals in the financial sector and the technology and telecommunications sector, respectively.

At the bottom of the ranking, no notable differences are observed in comparison with the analysis for the entire sample, i.e. for most sectors, the five least addressed SDGs are the same as the SDGs that occupy the last positions in the total sample (*SDG 1 – No poverty*, *SDG 2 – Zero hunger*, *SDG 6 – Clean water and sanitation*, *SDG 14 – Life below water* and *SDG 15 – Life on land*) or goals in the middle-to-lower positions (*SDG 16*

– *Peace, justice and institutions*; *SDG 10 – Reduced inequalities* and *SDG 11 – Sustainable cities and communities*). However, companies belonging to the oil and energy sector and the technology and telecommunications sector address *SDG 3 – Good health and well-being*, and financial sector firms address *SDG 7 – Affordable and clean energy*.

SDG ranking by sector FIGURE 3

Position/Sector	Oil and energy	Basic mats., industry and construction	Consumer goods	Consumer services	Financial services	Technology and telecommunications	Real estate services
1st	7	8	12	8	8	9	8
2nd	13	9	3	13	13	8	13
3rd	8	3	8	17	4	5	11
4th	9	13	13	9	5	13	4
5th	5	12	4	4	10	7	12
6th	15	4	9	5	12	4	5
7th	4	11	17	16	17	17	17
8th	17	6	7	12	11	12	3
9th	11	17	10	3	9	16	7
10th	6	7	5	7	3	10	10
11th	12	5	16	10	16	11	15
12th	16	10	15	11	1	1	9
13th	10	1	2	1	7	15	16
14th	14	16	1	15	6	3	6
15th	1	15	11	14	2	14	14
16th	3	2	6	6	15	6	1
17th	2	14	14	2	14	2	2
N	31	63	43	44	44	29	8

Source: Compiled by the authors.

Table 5 summarises the information provided by the companies included in different sustainability indices on their sustainability actions and commitment to the 2030 Agenda (panel A), the specific SDGs that these companies claim to address, ordered from highest to lowest frequency (panel B) and their corporate governance characteristics (panel C).

All Spanish companies included in the sustainability indices which include European companies and companies from all over the world (*DJSI World, DJSI Europe* and *STOXX Global ESG*) report on their sustainability actions. In contrast, the *FTSE 4 Good Ibex*, which is composed entirely of Spanish listed companies, includes a company that does not include information on sustainability in its annual reports or other reports (sustainability = 99%). Similarly, the percentage of companies that report their commitment to the 2030 Agenda is very high in all indices, with the highest observed in companies in the *STOXX Global ESG* (91.18%) and the lowest among companies in the *FTSE 4 Good Ibex* (79.10%). The companies included on sustainability indices carry out actions intended to contribute to the 2030 Agenda, covering between 7.5 and 9 SDGs annually.

In relation to the SDGs most frequently addressed by the companies that are included on sustainability indices (panel B), no significant differences are observed between the *FTSE 4 Good Ibex*, *DJSI World* and *DJSI Europe*, when comparing the three indices or in relation to the patterns observed for the total sample (shown in Figure 1). The most frequently addressed SDGs are *SDG 8 – Decent work and economic growth*, *SDG 13 – Climate action*, *SDG 9 – Industry, innovation and infrastructure*, *SDG 4 – Quality education* and other SDGs that also occupy relevant positions in the total sample, such as *SDG 5 – Gender equality* and *SDG 17 – Partnerships for the goals*. Also coinciding with the total sample, the goals least frequently addressed by companies included in these three sustainability indices are: *SDG 2 – Zero hunger*, *SDG 14 – Life below water*, *SDG 1 – No poverty*, *SDG 6 – Clean water and sanitation*, *SDG 15 – Life on land* and *SDG 16 – Peace, justice and strong institutions*. However, the companies that are included on the *STOXX Global ESG* appear to give priority to certain SDGs that are secondary for other companies in the sample. While the *SDG 8 – Decent work and economic growth*, *SDG 13 – Climate action* and *SDG 9 – Industry, innovation and infrastructure* are also a priority for companies on the *STOXX Global ESG*, *SDG 2 – Zero hunger*, which is always at the bottom of the ranking for the other the companies, is configured as one of the five main SDGs for the companies included in this index. In contrast, *SDG 3 – Good health and well-being* and *SDG 10 – Equal opportunities* are two of the five SDGs with the least weight for companies in the *STOXX Global ESG*, while for the rest of the companies in the continuous market these two goals have a medium-high priority.

With respect to the characteristics of corporate governance (panel C), the companies included in sustainability indices show similar board sizes (around 13 directors), which are larger than average for the continuous market (11 directors). These companies have a high percentage of independent directors (c.50%) and a number of female directors that ranges from 22.24% to 24.37% of the total, which higher than the average for the continuous market (18.24%). The boards hold approximately 11 annual meetings and the position of chairman of the Board and general manager or *CEO* are not held by the same person in more than 68% of the companies. The number of board meetings and non-duality of the companies included in sustainability indices are in line with the average for the continuous market. Lastly, the Spanish companies included in sustainability indices have a specific sustainability committee more frequently than other companies in the continuous market. While only 9.14% of companies on the continuous market have a specific sustainability committee (Table 2), for companies included in sustainability indices this figure is between 17.91% (*FTSE 4 Good Ibex*) and 33.82% (*STOXX Global ESG*).

Sustainability indices, information on sustainability and SDGs, and corporate governance

TABLE 5

Panel A: information on sustainability and SDGs

Variables	FTSE 4 Good Ibex N = 201	DJSI World N = 77	DJSI Europe N = 63	STOXX Global ESG N = 68	Index N = 209
Sustainability	99.00	100.00	100.00	100.00	99.04
SDG	79.10	89.61	88.89	91.18	78.47
NSDG	7.53	8.95	8.63	8.85	7.52

Panel B: SDG ranking

Position	FTSE 4 Good Ibex N = 201	DJSI World N = 77	DJSI Europe N = 63	STOXX Global ESG N = 68	Index N = 209
1st	8	8	8	8	8
2nd	13	13	13	9	13
3rd	9	9	9	13	9
4th	5	4	5	2	5
5th	17	5	4	7	4
6th	4	7	17	5	17
7th	12	11	7	11	12
8th	11	17	10	4	7
9th	7	10	12	17	11
10th	10	12	11	12	10
11th	3	3	1	15	3
12th	16	16	3	6	16
13th	6	1	16	10	6
14th	15	15	15	16	15
15th	1	6	6	1	1
16th	14	14	14	14	14
17th	2	2	2	3	2

Sustainability indices, information on sustainability and SDGs, and corporate governance *(continuation)* TABLE 5

Panel C: corporate governance

Variables	FTSE 4 Good Ibex	DJSI World	DJSI Europe	STOXX Global ESG	Index
	N = 201	N = 77	N = 63	N = 68	N = 209
Size of the Board	12.55	13.18	13.41	13.54	13.47
Independent directors	48.03	53.26	53.42	50.77	51.96
Female directors	22.18	24.24	24.37	23.81	23.97
Board meetings	11.24	11.53	11.63	10.94	11.65
Non-duality	73.63	67.53	71.43	66.18	68.42
Sustainability committee	17.91	28.57	25.40	33.82	29.47

Source: Own calculations.

3.2 Impact of corporate governance characteristics on the inclusion of SDGs in sustainability information

First, an analysis is made of whether the governance characteristics of companies influence the probability that they will report on their commitment to the 2030 Agenda. Table 6 presents the results of this analysis considering each corporate governance characteristic individually (models 1 to 5) and all characteristics together (model 6).

The results show that neither the *size of the Board* (models 1 and 6) or the number of *annual meetings* held by this body (models 4 and 6), or the fact that the position of Chairman of the Board is not held by the same person who holds the position of general manager or *CEO* (models 5 and 6) influence the probability that companies will include information on the SDGs in their annual reports. However, the findings show that the percentage of *independent directors* (models 2 and 6) and, to a lesser extent, the percentage of *female directors* (models 3 and 6) do increase the probability that companies will mention their actions to achieve SDGs.

For the control variables considered, the results show that the probability that companies will report on their commitment to SDGs increases if they state their *adherence to the Global Compact*. In addition, larger companies (*assets*) with a higher market value (*market-to-book ratio*) are more likely to report information on their actions in line with the 2030 Agenda. The results show that if a company has a specific sustainability committee this does not appear to increase the probability that it will include information on SDGs in annual reports or other reports.

Impact of corporate governance on commitment to SDGs

TABLE 6

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Variables	**SDG**	**SDG**	**SDG**	**SDG**	**SDG**	**SDG**
Size of the Board	-0.074					0.105
	(-0.62)					(0.73)
Independent directors		0.064***				0.059***
		(2.79)				(2.63)
Female directors			0.034*			0.037*
			(1.69)			(1.67)
Board meetings				0.005		0.028
				(0.09)		(0.47)
Non-duality					-0.419	-0.293
					(-0.81)	(-0.51)
Sustainability committee	0.557	0.560	1.153	0.524	0.499	1.129
	(0.55)	(0.50)	(1.08)	(0.52)	(0.50)	(1.01)
Adherence to the Global Compact	2.437***	2.799***	2.526***	2.356***	2.321***	2.757***
	(2.88)	(2.85)	(3.10)	(2.86)	(2.87)	(3.03)
Assets	1.240***	1.339***	1.017***	1.158***	1.158***	1.024***
	(3.97)	(4.30)	(3.81)	(4.15)	(4.24)	(3.24)
Leverage	-0.745	-1.661	0.171	-0.668	-0.663	-0.472
	(-0.77)	(-1.49)	(0.19)	(-0.72)	(-0.72)	(-0.44)
Market-to-book ratio	0.280**	0.340**	0.326*	0.269**	0.259**	0.349*
	(2.11)	(2.35)	(1.66)	(2.06)	(2.02)	(1.66)
Age	-0.005	-0.002	-0.001	-0.005	-0.005	0.003
	(-0.46)	(-0.15)	(-0.07)	(-0.50)	(-0.46)	(0.24)
Sector	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes
Wald	34.42***	33.87***	30.91**	34.46***	35.14***	30.68**
N observations	591	591	459	591	591	459
N companies	132	132	130	132	132	130

Source: Own calculations. Probit models have been estimated for panel data. Non-standardised coefficients are shown with *z*-values in parentheses. Wald is the test of the joint significance of the reported coefficients of the explanatory variables, asymptotically distributed as χ^2 under the null hypothesis of non-significance of the explanatory variables. Models are estimated with the constant and one lag of dependent variable; however, they are not reported in the table. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Second, an analogous analysis is made of whether corporate governance characteristics determine the total number of SDGs that companies claim to address. The results shown in Table 7 indicate that once again the percentage of *independent directors* (models 2 and 6) and the percentage of *female directors* (models 3 and 6) have a significant influence, raising the number of SDGs that companies declare to address. Likewise, *adherence to the Global Compact* and the size of the company are two characteristics that have a significant positive effect on the types of SDGs addressed by companies. Lastly, the other corporate governance characteristics, i.e. *size of the Board, board meetings* and *non-duality,* do not appear to influence the number of SDGs that companies address (models 1, 4, 5 and 6), nor do the existence of a *sustainability committee* or other business characteristics such as *leverage, market-to-book ratio or the age* of the company.

Impact of corporate governance on the number of SDGs addressed

TABLE 7

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Variables	**NSDG**	**NSDG**	**NSDG**	**NSDG**	**NSDG**	**NSDG**
Size of the Board	-0.200 (-0.73)					0.025 (0.09)
Independent directors		0.076*** (2.06)				0.075* (1.92)
Female directors			0.106** (2.19)			0.107** (2.26)
Board meetings				0.134 (0.99)		0.124 (0.84)
Non-duality					-0.136 (-0.11)	-0.269 (-0.21)
Sustainability committee	1.492 (0.86)	1.286 (0.75)	1.025 (0.60)	1.547 (0.88)	1.415 (0.81)	0.939 (0.55)
Adherence to the Global Compact	8.584*** (5.58)	8.515*** (5.82)	8.063*** (5.34)	8.397*** (5.63)	2.321*** (5.57)	8.345*** (5.51)
Assets	2.756*** (5.50)	2.460*** (5.85)	2.498*** (5.56)	2.568*** (5.92)	2.581*** (5.94)	2.342*** (4.51)
Leverage	0.021 (0.01)	-0.739 (-0.33)	0.381 (0.17)	-0.156 (-0.07)	0.183 (0.08)	-0.879 (-0.38)
Market-to-book ratio	0.422 (1.10)	0.410 (1.09)	0.556 (1.18)	0.428 (1.14)	0.389 (1.00)	0.593 (1.28)
Age	-0.005 (-0.24)	0.001 (0.01)	-0.002 (-0.12)	-0.006 (-0.31)	-0.006 (-0.28)	0.003 (0.13)
Sector	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes
Wald	216.70***	221.72***	162.33**	216.61***	216.76***	169.87**
N observations truncated	382	382	265	382	382	265
N observations	591	591	459	591	591	459
N companies	132	132	130	132	132	130

Source: Own calculations. Trobit models have been estimated for panel data. Non-standardised coefficients are shown with *z*-values in parentheses. Wald is the test of the joint significance of the reported coefficients of the explanatory variables, asymptotically distributed as χ^2 under the null hypothesis of non-significance of the explanatory variables. Models are estimated with the constant and one lag of dependent variable; however, they are not reported in the table. *p < 0.10; **p < 0.05; ***p < 0.01.

Lastly, Table 8 shows the results of the second stage of the Heckman models. In other words, the estimates that analyse the effect of corporate governance characteristics on the number of SDGs addressed by companies (which are shown in Table 7) have been repeated for the subsample of companies that report on their sustainability actions in their annual reports and other reports. The findings confirm the conclusions drawn in the previous analyses: the higher the percentage of *independent directors* and *female directors*, the greater the likelihood that companies will implement actions to address a greater number of SDGs (models 2, 3 and 6). Also, the *size of the Board*, *board meetings* and *non-duality* do not lead to a stronger commitment by companies to the 2030 Agenda by addressing a greater number of SDGs (models 2, 3 and 6). For the control variables, in the subsample of companies that report on their sustainability actions, a significant positive effect is observed for the variables *adherence to the Global Compact* and *assets,* as for the total sample. However, differences are also observed with respect to the total sample. Models 1 to 5 reveal that companies that have a specific *sustainability committee* implement actions aimed at addressing a larger number of SDGs. However, this effect is limited as once all the variables related to corporate governance characteristics are included, the *sustainability committee* variable is no longer significant (model 6).

Impact of corporate governance on the number of SDGs addressed – 2nd stage Heckman TABLE 8

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Variables	**NSDG**	**NSDG**	**NSDG**	**NSDG**	**NSDG**	**NSDG**
Size of the Board	0.074					0.192
	(0.70)					(1.55)
Independent directors		0.035**				0.048***
		(2.29)				(2.64)
Female directors			0.053**			0.053**
			(2.35)			(2.39)
Board meetings				0.008		0.021
				(0.14)		(0.30)
Non-duality					-0.168	-0.733
					(-0.32)	(-1.27)
Sustainability committee	2.000**	1.818**	1.538*	2.006**	1.981**	1.191
	(2.46)	(2.28)	(1.77)	(2.46)	(2.45)	(1.40)
Adherence to the Global	4.131***	4.241***	4.910***	4.138***	4.142***	4.856***
Compact	(7.40)	(7.74)	(7.73)	(7.53)	(7.55)	(7.49)
Assets	1.323***	1.269***	1.174***	1.381***	1.366***	0.849***
	(6.03)	(5.97)	(5.42)	(6.34)	(6.25)	(3.79)
Leverage	-0.186	-0.510	0.222	-0.309	-0.224	-0.111
	(-0.20)	(-0.54)	(0.21)	(-0.32)	(-0.24)	(-0.10)
Market-to-book ratio	0.146	0.131	0.193	0.133	0.125	0.191
	(0.82)	(0.75)	(0.88)	(0.76)	(0.71)	(0.85)
Age	-0.003	0.001	-0.004	-0.002	-0.002	-0.001
	(-0.42)	(0.08)	(-0.46)	(-0.32)	(-0.29)	(-0.02)
Sector	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes
Mills inverse ratio λ	5.048***	4.414***	3.393**	4.847***	4.738***	2.501*
	(3.96)	(3.51)	(2.52)	(3.82)	(3.66)	(1.88)
Wald	227.44***	226.29***	195.74***	226.42***	224.12***	196.39**
N uncensored observations	486	486	387	486	486	387
N observations	589	589	498	589	589	498
N companies	132	132	130	132	132	130

Source: Own calculations. The models have been estimated using the two-stage Heckman method. Non-standardised coefficients are shown with *z*-values in parentheses. The Mills inverse ratio λ is a variable that controls for sample selection bias. Wald is the test of the joint significance of the reported coefficients of the explanatory variables, asymptotically distributed as χ^2 under the null hypothesis of non-significance of the explanatory variables. Models are estimated with the constant and one lag of dependent variable; however, they are not reported in the table. *p < 0.10; **p < 0.05; ***p < 0.01.

3.3 Impact of commitment to SDGs and the characteristics of corporate governance on the inclusion of companies in sustainability indices

Table 9 shows the results obtained from the analysis of whether the information provided by companies on their actions in line with the 2030 Agenda (models 1, 2, 4 and 5) and their corporate governance characteristics (models 3 to 5) influence in the probability that they will be included in sustainability indices.

Impact of the SDGs and corporate governance on inclusion in sustainability indices TABLE 9

	Model 1	Model 2	Model 3	Model 4	Model 5
Variables	**Index**	**Index**	**Index**	**Index**	**Index**
SDG	0.378			0.537	
	(0.53)			(0.69)	
NSDG		0.059			0.066
		(1.04)			(1.06)
Size of the Board			-0.343	-0.353	-0.299
			(-1.33)	(-1.38)	(-1.12)
Independent directors			0.021	0.016	0.019
			(0.54)	(0.42)	(0.47)
Female directors			0.004	0.008	0.006
			(0.10)	(0.22)	(0.16)
Board meetings			-0.183	-0.192	-0.209*
			(-1.51)	(-1.56)	(-1.69)
Non-duality			-0.814	-0.900	-0.791
			(-0.81)	(-0.92)	(-0.83)
Sustainability committee	1.527	1.392	1.672	1.618	1.457
	(0.80)	(0.73)	(0.86)	(0.86)	(0.70)
Adherence to the Global	5.011***	4.797***	6.193***	6.130***	6.143***
Compact	(3.28)	(3.15)	(3.60)	(3.82)	(3.84)
Assets	3.620***	3.659***	4.315***	4.331***	4.447***
	(4.95)	(4.82)	(4.49)	(5.20)	(5.19)
Leverage	-0.033	-0.177	-0.010	0.135	0.009
	(-0.02)	(-0.10)	(-0.01)	(0.07)	(0.01)
Market-to-book ratio	0.578**	0.572**	0.582*	0.588*	0.602
	(2.18)	(2.03)	(1.65)	(1.73)	(1.59)
Age	-0.006	-0.009	-0.003	-0.004	-0.010
	(-0.28)	(-0.44)	(-0.14)	(-0.17)	(-0.39)
Sector	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes
Wald	41.22***	37.74***	42.90***	49.05***	35.14***
N observations	459	459	459	459	459
N companies	130	130	130	130	130

Source: Own calculations. Probit models have been estimated for panel data. Non-standardised coefficients are shown with *z*-values in parentheses. Wald is the test of the joint significance of the reported coefficients of the explanatory variables, asymptotically distributed as χ^2 under the null hypothesis of non-significance of the explanatory variables. Models are estimated with the constant and one lag of dependent variable; however, they are not reported in the table. *p < 0.10; **p < 0.05; ***p < 0.01.

The results indicate that a company's commitment to the 2030 Agenda (*SDG* and *NSDG*) does not appear to influence its inclusion in different sustainability indices (models 1, 2, 4 and 5). Similarly, corporate governance characteristics (*size of the Board*, *independent directors*, *female directors*, *board meetings* and *non-duality*) do not make it more or less probable that a company will be included in these indices (models 3 to 5). In contrast, the findings indicate that there are several company characteristics or policies that do increase the probability that it will be included in a sustainability index. These include the size of the company (*assets*) and, to a lesser extent, its market value (*market-to-book ratio*) and, in terms of policies, its *adherence to the Global Compact*.

4 Conclusions, limitations and future lines of research

The study analyses the degree of commitment of Spanish listed companies to the SDGs that make up the 2030 Agenda and, specifically, the impact of corporate governance characteristics on this commitment. It also looks into whether a company's corporate governance characteristics and commitment to SDGs determine its inclusion in sustainability indices.

The analysis shows that, compared to other institutional settings, Spanish companies have a greater involvement with SDGs. Previous studies reflect that the percentage of companies that include actions that contribute to the achievement of SDGs in their sustainability or CSR reports was approximately 25% in Europe in the 2016-2017 period (Schramade, 2017; Martínez- Ferrero and García-Meca, 2020) and 16% on a global level in 2016 (Rosati and Faria, 2019), while in Spain it was 33.90% in 2016, 44.33% in 2015-2019 and 67.52% in 2019. In addition, although there are variations depending on the sector of activity, companies generally prioritise *decent work and economic growth*, as well as the *industry, innovation and infrastructure* goals, which are closely linked to business activity. Similarly, *climate action*, *quality education* and *responsible production and consumption* are other SDGs most frequently addressed by Spanish companies.

The results show that the percentage of female directors on boards and the number of independent directors are factors that encourage companies to carry out actions to achieve SDGs. The findings are in line with previous literature (Martínez-Ferrero and García-Meca, 2020; Pizzi et al. 2021; Gallego-Sosa et al. 2021; Rosati and Faria, 2019). Further, greater independence and greater gender diversity on a board of directors is no longer only an indication that a company probably considers the 2030 Agenda when designing its sustainability actions, but also that it addresses a larger number of SDGs. However, the results show that other corporate governance characteristics such as the *size of the Board,* the *number of annual meetings* held by the board of directors and the *non-duality* of the *CEO* do not appear to influence the level of a company's commitment to the 2030 Agenda. These findings coincide with those of previous studies on the size of the Board (Pizzi et al. 2021) and its annual meetings (Martínez-Ferrero and García-Meca, 2020; Pizzi et al., 2021), but differ in relation to the non-duality of the *CEO* (Martínez-Ferrero and García-Meca, 2020).

With regard to other characteristics, the findings indicate that the *size of the company (assets)* and its *adherence to the UN Global Compact* positively influence both the probability that companies will carry out activities to achieve SDGs and the number of SDGs addressed, while the market value has a positive impact on the implementation of strategies and actions relating to the 2030 Agenda but not from a quantitative standpoint, i.e. number of SDGs. These results are in line with the previous academic literature in terms of adherence to the Global Compact (Rosati and Faria, 2019; Martínez-Ferrero and García-Meca, 2020) but not in regard to the company's size or performance, as neither Martínez-Ferrero and García-Meca (2020) nor Pizzi et al. (2021) find any relationship between these variables. The differences observed with respect to size and performance can be explained by the samples in the studies. While this work analyses an entire market, previous literature looks at companies that draw up their sustainability reports in accordance with international GRI indicators, thus making for more homogeneous samples. In summary, in Spain, larger companies with a greater proportion of independent directors and women on their boards of directors that have adhered to the United Nations Global Compact show a greater commitment to the 2030 Agenda.

The results also show that the commitment of companies to SDGs does not appear to ensure their inclusion in sustainability indices, nor do their corporate governance characteristics. However, they do allow us to identify other characteristics of companies, such as their size, market performance and their adherence to United Nations Global Compact, that make it more probable that they will be included in the different sustainability indices.

The work presents a series of limitations that could be addressed in future research. Namely, that only Spanish companies are considered and therefore the results cannot be generalised to other institutional settings. Further, the study only considers whether companies declare that they carry out actions that contribute to achieving the different SDGs and therefore does not take into account companies' monitoring of, and their level of compliance with, actions and policies in this area. Similarly, some of the companies that report on their commitment to the 2030 Agenda assign different priority levels to SDGs, and this study does not consider this, as all the SDGs addressed are assigned the same weight. In addition to these potential study topics associated with these limitations, there are also other promising possible lines of research. Future research could consider the potential effect of the ownership structure of companies, differentiating, for example, between family and non-family businesses, or between companies where ownership is concentrated in the significant shareholder, companies where there are several significant shareholders and companies with dispersed ownership. In line with the ownership structure of companies, future studies could assess whether carrying out actions related to the 2030 Agenda could attract certain types of investors, such as institutional or foreign investors. It would also be interesting to look into whether there is a relationship between actions to achieve SDGs and the issuance of sustainable financial products, and their characteristics. Similarly, it would be of interest to analyse the consistency of the strategies and objectives addressed by companies, the actions designed by governments and public administrations in this area, and the specific needs detected in the companies' environment.

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Annex I

Definition of study variables

TABLE A1

Variables	Description
Information on sustainability and SDGs	
Sustainability	Dummy variable which takes the value 1 if the company reports on its sustainability actions in its annual reports (sustainability report or CSR, integrated report, annual report or management report) and 0 otherwise.
SDG	Dummy variable which takes the value 1 if the company claims to address the SDGs in its annual reports and 0 otherwise.
SDG 1 – No poverty	Dummy variable which takes the value 1 if the company claims to address the SDG 1 (No poverty) in its annual reports and 0 otherwise.
SDG 2 – Zero hunger	Dummy variable which takes the value 1 if the company claims to address SDG 2 (Zero hunger) in its annual reports and 0 otherwise.
SDG 3 – Good health and well-being	Dummy variable which takes the value 1 if the company claims to address SDG 3 (Good health and well-being) in its annual reports and 0 otherwise.
SDG 4 – Quality education	Dummy variable which takes the value 1 if the company claims to address SDG 4 (Quality education) in its annual reports and 0 otherwise.
SDG 5 – Gender equality	Dummy variable which takes the value 1 if the company claims to address SDG 5 (Gender equality) in its annual reports and 0 otherwise.
SDG 6 – Clean water and sanitation	Dummy variable which takes the value 1 if the company claims to address SDG 6 (Clean water and sanitation) in its annual reports and 0 otherwise.
SDG 7 – Affordable and clean energy	Dummy variable which takes the value 1 if the company claims to address SDG 7 (Affordable and clean energy) in its annual reports and 0 otherwise.
SDG 8 – Decent work and economic growth	Dummy variable which takes the value 1 if the company claims to address SDG 8 (Decent work and economic growth) in its annual reports and 0 otherwise.
SDG 9 – Industry, innovation and infrastructure	Dummy variable which takes the value 1 if the company claims to address SDG 9 (Industry, innovation and infrastructure) in its annual reports and 0 otherwise.
SDG 10 – Reduced inequalities	Dummy variable which takes the value 1 if the company claims to address SDG 10 (Reduced inequalities) in its annual reports and 0 otherwise.
SDG 11 – Sustainable cities and communities	Dummy variable which takes the value 1 if the company claims to address SDG 11 (Sustainable cities and communities) in its annual reports and 0 otherwise.
SDG 12 – Responsible consumption and production	Dummy variable which takes the value 1 if the company claims to address SDG 12 (Responsible consumption and production) in its annual reports and 0 otherwise.
SDG 13 – Climate action	Dummy variable which takes the value 1 if the company claims to address SDG 13 (Climate action) in its annual reports and 0 otherwise.
SDG 14 – Life below water	Dummy variable which takes the value 1 if the company claims to address SDG 14 (Life below water) in its annual reports and 0 otherwise.
SDG 15 – Life on land	Dummy variable which takes the value 1 if the company claims to address SDG 15 (Life on land) in its annual reports and 0 otherwise.
SDG 16 – Peace, justice and strong institutions	Dummy variable which takes the value 1 if the company claims to address SDG 16 (Peace, justice and strong institutions) in its annual reports and 0 otherwise.
SDG 17 – Partnerships for the goals	Dummy variable which takes the value 1 if the company claims to address SDG 17 (Partnerships for the goals) in its annual reports and 0 otherwise.
NSDG	Total number of SDGs that the company claims to address in its annual reports.

Definition of study variables *(continuation)*

TABLE A1

Variables	Description
Sustainability indices and adherence to the Global Compact	
FTSE 4 Good Ibex	Dummy variable which takes the value 1 when the company is included in the FTSE 4 Good Ibex sustainability index and 0 otherwise.
DJSI World	Dummy variable which takes the value 1 when the company is included in the DJSI Word sustainability index and 0 otherwise.
DJSI Europe	Dummy variable which takes the value 1 when the company is included in the DJSI Europe sustainability index and 0 otherwise.
STOXX Global ESG	Dummy variable which takes the value 1 when the company is included in the STOXX Global ESG sustainability index and 0 otherwise.
Index	Dummy variable which takes the value 1 when the company is included in a sustainability index (FTSE 4 Good Ibex, DJSI World, DJSI Europe or STOXX Global ESG) and 0 otherwise.
Adherence to the Global Compact	Dummy variable which takes the value 1 when the company adheres to the United Nations Global Compact and 0 otherwise.
Corporate governance	
Size of the Board	Total number of directors
Independent directors	Percentage of independent directors on the board of directors.
Female directors	Percentage of women on the board of directors.
Board meetings	Total number of annual meetings of the board of directors.
Non-duality	Dummy variable which takes the value 1 when the position of Chairman of the Board of Directors is not held by the same person who holds the position of general manager or CEO and 0 otherwise.
Sustainability committee	Dummy variable which takes the value 1 when the board of directors has a specific sustainability or CSR committee and 0 otherwise.
Other characteristics	
Assets	Logarithm of the book value of total assets (thousands of euros).
Leverage	Leverage ratio defined as: book value of total debt / book value of total assets.
Market-to-book ratio	Price/book value ratio defined as: market value of the company + book value of its deb /book value of total assets.
Age	Number of years elapsing since the year of the company was founded.

List of abbreviations

TABLE A2

Abbreviations	Description
ESG	Environmental, social and good governance
CEO	Chief Executive Officer
GRI	Global Reporting Initiative.
SDG	Sustainable Development Goals
CSR	Corporate social responsibility

Climate and sustainability benchmarks and their contribution to compliance with Sustainable Development Goals

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Acronyms used

Acronyms	Meaning
ESG	Environmental, social and governance
BMR	Benchmark Regulation – Regulation (EU) 2016/1011 of the European Parliament and of the Council, of 8 June 2016, on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.
CNMV	Comisión Nacional del Mercado de Valores (Spanish National Securities Market Commission)
CSRD	Corporate Sustainability Reporting Directive
OTC derivatives	Over-the-counter derivatives
ESMA	European Securities and Markets Authority
ETF	Exchange Traded Fund
EUR	Euro
GHG	Greenhouse gases
IIA	Index Industry Association
CIS	Collective investment scheme
PA benchmarks	EU benchmarks aligned with the Paris Agreement
CT benchmarks	EU climate transition benchmarks
IR and FX benchmarks	Interest rate and foreign exchange benchmarks
IOSCO	International Organization of Securities Commissions
IPCC	Intergovernmental Panel on Climate Change
ISDA	International Swaps and Derivatives Association
Libor	London InterBank Offered Rate
SMEs	Small- and medium-sized enterprises
EGD	European Green Deal
SFDR	Sustainable Finance Disclosure Regulation – Regulation (EU) 2019/2088 of the European Parliament and of the Council, of 27 November 2019, on sustainability-related disclosures in the financial services sector
TEG	EU Technical Expert Group on Sustainable Finance
EU	European Union

We will all know that there is only one path and that is the path of change. Change in human behaviour, as we are the last link in the evolution of living beings on our planet, in other words, change in the awareness of human beings.

Félix Rodríguez de la Fuente[1]

Summary

Benchmarks are tools that are increasingly used to build investment strategies and measure and monitor their performance. This means that they have a clear role to play in the transition to a low-carbon economy that is aligned with the Sustainable Development Goals.

The recent regulation of climate and sustainability benchmarks recognises this role and is a first step in the European Union (EU) effort to increase their number and use to achieve these objectives.

Improvements in the information provided by companies that make up, or may in the future make up, the benchmarks and the availability of reliable, easily accessible and comparable data sources are measures that will improve their effectiveness as a catalyst for the mobilisation of financial resources towards a more sustainable economy.

1 Inaugural speech at Montejo de la Vera camp in 1975. This quote is taken from the book Rodríguez de la Fuente (2020). Félix Rodríguez de la Fuente is a key figure in our understanding of the changes in environmental awareness that have taken place in Spain since the last third of the 20th century. His written and audiovisual work has contributed decisively to raising awareness among several generations of Spaniards of the need to care for the environment and the land we live on. The 40th anniversary of his death took place during the lockdown caused by the COVID-19 pandemic.

1 Introduction

Sustainability and sustainable financing are setting the agenda for regulators and supervisors, and also for corporations, financial institutions, advisers, managers, investors and people in general.

Sustainable global investment has gained a great deal of traction in recent years, with estimates placing the total value of assets pursuing sustainable investment strategies at €45 trillion in 2020,[2] double the figure seen in 2016.

The desire for sustainability, a concept that permeates all aspects of life today, responds to an institutional drive and social demand and to investors themselves, who are increasingly seeking sustainable investment products. Climate and sustainability benchmarks,[3] which have recently been regulated in the EU, have been called upon to play a pivotal role in promoting what has come to be known as "sustainable finance", whose objective is to redirect capital flows into investments that allow more sustainable growth to be achieved. Ultimately, it is about the financial system supporting the EU's climate and sustainable development agenda.

The benchmarks with objectives that include reducing the carbon footprint or even those that simply consider sustainability factors, be they environmental, social or governance (ESG factors), which offer sustainable investments by creating (individual and group) portfolios, are an incentive for companies to commit to decarbonisation and include sustainability factors in their strategy and business models, and also to improve their transparency. Ultimately, these indices help redirect funds towards a sustainable economy and avoid the risk of greenwashing[4] or the misleading use of a "green" or "sustainable" label in the marketing of products.

This article analyses the evolution and context of raising awareness and subsequent regulation of sustainability objectives and the role played by benchmarks to achieve these goals.

2 ESMA (2021a).

3 This article broadly refers to sustainability benchmarks as those indices that consider ESG factors or pursue ESG objectives.

4 A term generally known as "ecobleaching" or "greenwashing".

2 Sustainable development: evolution and context

There has been an awareness of the need to take care of the planet since Roman times.[5] However, experts consider the 1972 Stockholm Conference and, more particularly, the Brundtland Report[6] of 1987 to be the main developments[7] that culminated in the definitive Paris Agreement[8] of December 2015, when the Member States of the United Nations approved the 17 goals and 169 targets for sustainable development, committing to achieving them by 2030.

The European Union has taken decisive steps in its strategy to finance the transition to a sustainable economy. In 2018, it launched a first action plan[9] with three priority objectives: i) redirect capital flows into investments that permit more sustainable and inclusive growth,[10] ii) manage the financial risks deriving from climate change, and iii) promote transparency and long-term vision in financial and economic activities.

The implementation measures include the creation of a common taxonomy to identify economic activities that help mitigate climate change, guidelines for companies when they report on the impact of their businesses on the climate and the impact of climate change on their businesses, and a new category of low-carbon benchmarks.

The European Union strategy has been stepped up recently with new initiatives to increase investment and include small- and medium-sized enterprises in the EU transition to a sustainable economy.[11] The new measures aim to extend the EU Ecolabel to financial products and create new labels for ESG benchmarks, as well as to improve the transparency of credit ratings and regulate ESG-related ratings (see Section 5).

5 The work of Bravo-Bosh (2014) offers extensive references to the norms of ancient Rome, demonstrating that sensitivity to environment issues already existed at that time.

6 This report pinpoints environmental protection as a global task and defines sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It revolves around three main lines: environmental, social and economic sustainability, and links reducing poverty with the protection and preservation of the environment. World Commission on Environment and Development. United Nations (1987).

7 At the 1992 Earth Summit in Rio de Janeiro and the 2002 Johannesburg Summit.

8 The Paris Agreement of 2015 is a legally binding international treaty on climate change. It was implemented by 196 countries on 12 December 2015 and entered into force on 4 November 2016. Its purpose is to strengthen the global response to the threat of climate change in the context of sustainable development and efforts to eradicate poverty. To do this, the aim is to reduce global warming to 1.5 C (setting the limit at 2°C) above pre-industrial levels and the secure the commitment of the countries signing the agreement to decarbonise their economies and reduce their greenhouse gas emissions with the goal of obtaining climate neutrality by 2050. At the same time, it seeks to bring financial flows to a level that is compatible with a path that leads to climate-resilient development with low greenhouse gas emissions. United Nations (2015).

Spain signed the Paris Agreement on 22 April 2016 and it was published in the Official State Gazette (*BOE*) of 2 February 2017.

9 European Commission (2018).

10 The Plan contemplates the movement of more than €1 billion into sustainable investments in the next decade and to cease financing certain projects linked to fossil fuels.

11 The new EU strategy was published in July 2021 to step up and accelerate the completion of the 2019 European Green Deal objectives and recover from the COVID-19 pandemic. European Commission (2021).

In response to the commitments undertaken with the EU and under the Paris Agreement, in November 2020, the long-term strategy on climate neutrality was adopted in Spain,[12] and the Climate Change and Energy Transition Law was approved.[13] In line with the decarbonisation and prevention of global warming objectives, this regulation establishes a series of measures and goals to achieve climate neutrality in 2050, driving the transition of energy towards a more efficient model based on renewable sources. The law also addresses the consideration of climate risks by companies and financial institutions and their monitoring by financial supervisors.

In this context, considering that the securities markets have an important role to play in the transition to more sustainable and inclusive growth, the CNMV has also taken on a commitment to sustainable finance both as an organisation and in the exercise of its powers. Sustainability is one of the strategic lines that will guide the CNMV's activity in the coming years.[14] Among its goals, the authority will work towards the creation of climate benchmarks based on the carbon footprint, in line with recent regulation on this topic.[15]

3 The role of benchmarks

Market indices, better known as benchmarks, are a numerical indicator that is calculated based on the value of one or more underlying assets or prices to measure and monitor the evolution of an economy or a financial market.

Benchmarks are calculated using economic data, such as share prices, and non-economic figures or values, such as atmospheric or consumption parameters. They have multiple uses, most notably the pricing of cross-border transactions, as well as a wide range of financial instruments and services. They are also used to establish the value of financial instruments or contracts and to measure the performance of funds or investment portfolios.

Benchmarks belong to an area of the financial sector that has been the subject of regulatory attention recently, moving from a sector with relatively little financial regulation or supervision to a regulated area due to its systemic nature and its importance for consumer and investor protection, given that there are a great many index-referenced financial instruments, services and contracts available. These include mortgages, consumer loans, investment funds and other instruments marketed to retail investors. Therefore, it is necessary for any potential conflicts that may arise to be duly addressed and that the governance and calculation methodology of the index must respond to the principles of independence, control and transparency.

12 Government of Spain (2020).

13 Law 7/2021 of 20 May on climate change and energy transition.

14 This is included in the CNMV's Activity Plan for 2021-2022. CNMV (2021c).

15 The new Article 19 quinquies of Regulation (EU) 2016/1011 (introduced by Regulation (EU) 2019/2089, of 27 November) calls on the administrators of the main benchmarks to work to provide EU climate transition benchmarks by 1 January 2022.

Benchmarks have also developed a systemic dimension, mainly in the case of the most well-known and widely used interest rate benchmarks, such as Libor and Euribor,[16] due to the crucial role they play in the economy and the financial system. Thus, regulation and supervision activities are also aimed at preserving financial stability.

For all these reasons, benchmark rates are currently being broadly reformed, largely due to the implementation of EU Benchmark Regulation published in 2016, which entered into force in January 2018.[17]

Benchmarks allow investment strategies to be aligned with preset targets and can also be used as a reference to measure the performance of these strategies in terms of risk and return. This gives them a clear role to play in the alignment of the asset management industry with long-term sustainability considerations and the transition to a low-carbon economy.

In recognition of this role, more recently, in December 2019, an amendment to the Benchmark Regulation was published through Regulation 2019/2089,[18] which creates two new index labels that factor in the carbon footprint of the constituent assets and at the same time improve and harmonise the transparency of ESG goals and factors in the methodology of the indices they use or that pursue objectives related to these factors.

Climate and sustainability indices are used for sustainable investment both through passive management – including index funds and ETFs – and in active investment strategies.

These indices are usually built on a parent index or an investable universe of securities,[19] while maintaining risk-return characteristics similar to those of the parent index. In this way, the performance of the global portfolio can be compared with that of the index that includes extra-financial aspects.[20]

In its construction, an exclusion methodology can be applied that allows investors to eliminate certain types of exposures. Exclusions may include companies that are deemed not to meet certain ESG standards or companies engaged in activities that involve controversial weapons, tobacco, or fossil fuels. These indices can also be constructed to gain exposure to high ESG ratings, either jointly or separately, in relation to a specific ESG factor or theme, or to generate positive environmental or social impact. They can also combine elements of these approaches.

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16 These indices are currently undergoing a historical reform, the status, origin and implications of which are analysed by Gómez-Yubero and Palomero (2021).

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

18 Regulation (EU) 2019/2089 of the European Parliament and of the Council, of 27 November 2019, amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks.

19 The investable universe refers to all investable instruments of an asset class or a group of asset classes.

20 Section 6.3 shows a comparison between general indices and sustainability indices.

The new regulation for climate and sustainability benchmarks responds to the pivotal role these indices are called on to play in the transition to a decarbonised economy that is consistent with achieving the Sustainable Development Goals.

Role of climate and sustainability benchmarks ILLUSTRATION 1

Source: Compiled by the authors.

As the activity carried out by the capital markets is decisive for channelling funds into projects and companies that contribute to reducing greenhouse gas emissions, in accordance with the objectives set in the Paris Agreement, the benchmarks can and should encourage these investments by facilitating the creation of individual and group portfolios to compare returns and even hedge the risks of exposure to carbon emissions through the derivatives markets.[21]

A growing number of investors are trusting in these benchmarks and more and more private investors and institutions are demanding robust and reliable global indices with which to create investment products, to measure and compare the performance of products and investment portfolios, and establish asset allocation strategies.

This is corroborated by the Index Industry Association, which has disclosed that the number of ESG benchmarks worldwide increased by more than 40% in 2020, compared to almost 15% in 2019.[22]

21 The ISDA document (2021) analyses the potential role of derivatives in sustainable finance and describes the range of product structures and types of transactions that make up the universe of ESG-related derivatives.

22 IIA (2021).

According to recent data published by ESMA,[23] EU investor appetite for ESG funds has risen during the COVID-19 crisis. Since March 2020, ESG equity funds have seen net inflows of €72 billion (representing asset growth of 19%), compared to €86 billion for non-ESG equity funds (asset growth of 0.3%). This brings the total assets of EU ESG equity, bond and mixed funds to €835 billion, an increase of 55% from March, representing 11% of total ESG and non-ESG equity, bond and mixed fund assets.[24]

In addition, creating these benchmark labels reduces the risk of greenwashing, i.e. the misleading use of the green or sustainable labels in the marketing of products.

The widespread use of these benchmarks is also expected to encourage companies to adopt and publish credible targets for reducing carbon emissions, as when the administrator of an EU climate transition benchmark selects or weights underlying assets, they must consider companies that have these goals and ensure that they are public and credible, in the sense that they represent a genuine commitment to decarbonisation, and that they are sufficiently detailed and technically feasible.

To allow benchmarks to perform this function effectively, the data sources and background information available for the construction of the indices must be reliable, comparable and easily accessible. Section 5 addresses the role of ESG ratings and ongoing proposals to improve their availability, integrity, and transparency.

4 Regulation of climate and sustainability benchmarks

The regulation of climate and sustainability benchmarks was approved recently (in December 2019), with the publication of the amendment to the Benchmark Regulation, through Regulation 2019/2089.

The new European regulation creates two new categories or benchmark labels that consider the carbon footprint of the constituent assets (see Section 4.1) and at the same time reinforces and harmonises the level of transparency for ESG targets and factors in the index methodology in general (see Section 4.2).

It is important to highlight that this new regulation affects all benchmarks and administrators, not just the new low-carbon impact indices, as:

i) All main EU benchmark administrators are called on to market one or more climate transition benchmark.

ii) It establishes disclosure obligations for all administrators, who must publicly disclose whether or not they manage low-carbon impact benchmarks and must also declare, for each of their indices, whether or not they apply ESG criteria

23 ESMA (2021a).

24 Section 6.2 contains information on investment funds with ESG strategies registered with the CNMV.

and, where appropriate, how they apply them. From December 2021, they must also disclose how their methodology is aligned with the goal of reducing carbon emissions or achieving the objectives of the Paris Agreement. In terms of data and breakdowns, these reporting obligations will be more demanding for equity and bond indices that are considered significant benchmarks.

In the EU, three delegated regulations have been approved that complement Regulation 2016/1011 and develop the new types of benchmarks and the corresponding advertising requirements:[25]

i) Delegated Regulation (EU) 2020/1818,[26] as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.

ii) Delegated Regulation (EU) 2020/1817,[27] as regards the minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology.

iii) Delegated Regulation (EU) 2020/1816,[28] on the minimum content of the explanation of ESG factors in the benchmark statement.

Its content is based on the recommendations of the report published by the Technical Expert Group on Sustainable Finance (TEG).[29] However, as recognised by the European Commission, it deviates in some areas to achieve greater proportionality and to give the benchmark providers greater flexibility to design their methodologies.

25 These delegated acts were published at the end of 2020, when they were expected to have entered into force by April 2020, at the same time as the amendments made to Regulation (EU) 2016/1011. This delay caused some uncertainty for benchmark administrators as to how they were expected to comply with the new disclosure requirements, which led ESMA to take the unprecedented step of issuing a no action letter (ESMA, 2020) addressed to the competent authorities, which indicated that supervisory actions should not be prioritised with respect to these new requirements until the delegated acts had been applied.

26 Commission Delegated Regulation (EU) 2020/1818, of 17 July 2020, supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.

27 Commission Delegated Regulation (EU) 2020/1817, of 17 July 2020, supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology.

28 Commission Delegated Regulation (EU) 2020/1816, of 17 July 2020, supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.

29 This working group was created by the European Commission to assist in the development of its 2018 legislative proposal. It is made up of experts from different backgrounds and professional profiles and its mandate is to identify a classification system, known as the EU taxonomy, to establish whether an economic activity is environmentally sustainable, draw up a draft EU green bond standard, the methodologies for EU climate benchmarks and disclosures for these benchmarks, and to provide guidance on how to improve the corporate disclosure of climate-related information. The TEG report on climate benchmarks and disclosure requirements was published in September 2019 (EU TEG, 2019a) and complemented with a manual released in December 2019 (EU TEG, 2019b).

The new regulation was published on 9 December 2019 and its content, in terms of the requirements for constructing new climate benchmarks and transparency obligations, is applicable from different dates, as shown in Table 1, which also summarises the main measures contained in this regulation.

Key dates for the implementation of the Climate and Sustainability Benchmark Regulation TABLE 1

Adaptation of methodology	From **30 April 2020**	➔ **Use of labels**: Administrators of PA benchmarks and CT benchmarks must comply with the new methodology requirements.	Applicable only to PA and CT benchmarks.
	From **31 December 2022**	➔ CT benchmark administrators must select companies that publish specific reduction target deadlines, based on a breakdown at subsidiary level that is updated annually, provided that their activities do not significantly impair other ESG targets.	Applicable only to CT benchmarks.
	From **1 January 2022**	➔ Administrators of significant benchmarks **must work** to provide at least one CT benchmark.	Applicable only to significant benchmarks.
Reporting obligations	From **30 April 2020**	➔ The publication of the benchmark's methodology (BMR art. 13) and statement (BMR art. 27) must contain an explanation of how ESG factors are (or are not) reflected.	Applicable to all types of benchmarks (except IR and FX benchmarks).
		➔ The administrator must declare that it has no climate transition or Paris-aligned benchmarks, or that it has no benchmarks that pursue or consider ESG factors.	Applicable to all types of benchmarks (except IR and FX benchmarks).
		➔ Significant equity and bond indices and labelled benchmarks must include data and a breakdown of whether, and to what extent, emission reduction targets or Paris Agreement targets are guaranteed under Regulation 2019/2088.	Applicable to significant equity and bond benchmarks, and CT and PA indices.
	From **31 December 2021**	➔ Administrators must disclose in the benchmark statement an explanation of how their methodology is aligned with the goal of reducing carbon emissions or achieving the objectives of the Paris Agreement.	Applicable to all types of benchmarks (except IR and FX benchmarks).

Source: Own compilation based on Regulation (EU) 2016/1011.

4.1 New types of climate benchmarks

Two new categories or benchmark labels have therefore been created that consider the carbon footprint of the underlying assets to help investors who seek sustainable investment products:

i) EU climate transition benchmarks (CT benchmarks), which take into account a company's decarbonisation trajectory in their selection criteria.

ii) EU benchmarks aligned with the Paris Agreement (PA benchmarks), which only select constituents that contribute to achieving the target to reduce global warming to 1.5°C compared to pre-industrial levels established in the Paris Agreement.

In both cases, these are voluntary labels, which can only be used by benchmark administrators when they provide climate benchmarks that comply with the methodology and transparency requirements established in the regulation.

These benchmarks, which we refer to generically as climate benchmarks, are designed to guide investors who wish to pursue a climate-aware investment strategy, with varying levels: CT benchmarks may be a low-carbon alternative to commonly used benchmarks, while PA benchmarks offer a portfolio that is aligned and committed to the goal of reducing global warming.

Both types of benchmark select companies with a trajectory of decarbonisation – the objective is to reduce the intensity (or absolute emissions) of GHGs by at least 7% per year on average. GHG intensity is the main parameter used to calculate a decarbonisation strategy as it guarantees comparability and is not biased in favour or against any particular sector.

The main differences in construction lie in the exclusions from the indices and the greater percentage reduction required by PA benchmarks to exposures to GHG-intensive assets compared to their parent benchmark or investable universes. Table 2 presents the main similarities and differences in the design of PA and CT benchmarks.

Similarities and differences between PA and CT benchmarks TABLE 2

		PA benchmarks	CT benchmarks
Common features	Base scenario for temperature	To design their methodology, the 1.5°C scenario with no or limited overshoot as referred to in the IPCC special report on the impacts of global warming of 1.5°C, is taken as the base scenario.	
	Restrictions on the allocation of shares	In equity benchmarks, exposure to sectors that contribute most to climate change (such as oil, gas, mining and transportation) should not be less than the exposure of their investable universe.[1]	
	Parameter to calculate the decarbonisation strategy	– GHG intensity: absolute GHG emissions (equivalent tons of CO_2) divided by the million euro value of the company, including cash, which is the sum of the market capitalisation of its ordinary and preferred shares, and the book value of total debt and non-controlling interests with no cash deducted. – In bond indices made up of unlisted companies, GHG emissions can be used as an absolute figure. – The calculation must be made annually and the same currency used for all underlying assets. – The annual variation is calculated as a percentage difference between the data at the end of year *n* and the data at the end of year *n*-1. A new base year should be used whenever significant changes are made to the calculation methodology.	
	Gradual inclusion in Scope 3	Scope 3 GHG emissions data[2] are included in phases according to the sector:[3] – December 2020: energy and mining. – December 2022: transport, construction, buildings, materials and industry. – December 2024: all other sectors.	
Common features	Weightings	The weighting of companies that set and publish GHG emission reduction targets can be increased if the following two requirements are met: – Companies consistently and accurately publish their Scope 1, 2 and 3 GHG emissions. – Companies have reduced their GHG intensity or, where appropriate, their absolute emissions by at least 7% per year on average for at least three consecutive years.	
	Decarbonisation strategy	The following objectives are pursued depending on the type of underlying assets: – Listed equities: an average reduction of at least 7% in GHG intensity per year. – Fixed income of listed companies: an average reduction of least 7% in GHG intensity or absolute emissions per year. – Fixed income of unlisted companies: an average reduction of at least 7% in absolute GHG emissions per year.	
	Loss and recovery of label	The label will be lost if the goals are not reached in one year and are not offset in the following year, or if they are not reached three times in a period of ten years. It may be recovered if the goals are reached in two consecutive years, unless the label has been lost on two occasions, in which case it will be permanently removed.	

		PA benchmarks	CT benchmarks
Differences	GHG exposure reduction requirements	50% lower than the investable universe.	30% lower than the investable universe.
	Exclusions[4]	– Activities related to controversial weapons. – Cultivation and production of tobacco. – Companies that do not comply with the United Nations Global Compact or the OECD Guidelines for multinationals. – Companies that obtain: • 1% or more of their income from the prospecting, mining, extraction, distribution or refining of anthracite, coal and lignite. • 10% or more of their income from exploration, extraction, distribution or refining of liquid fuels. • 50% or more of their income from exploration, extraction, production or distribution of gaseous fuels. • 50% or more of their income from electricity generation with a GHG intensity greater than 100g CO_2/ kWh.	From 31 December 2022: – Activities related to controversial weapons. – Cultivation and production of tobacco. – Companies that do not comply with the United Nations Global Compact or the OECD Guidelines for multinationals.
		– Companies that do significant harm to one or more of the environmental goals.[5]	Exclusion applicable from 31 December 2022.

Source: Own compilation based on Regulation (EU) 2016/1011 and Delegated Regulation (EU) 2020/1818.

1 This requirement is intended to provide a true picture of the real economy, including the sectors that must significantly reduce their emissions so that investors committed to decarbonisation can exert their influence in the transition of companies to more sustainable activities.

2 In accordance with the Annex to EU Regulation 2019/2089, Scope 1 refers to carbon emissions generated from sources that are controlled by the company that issues the underlying assets. Scope 2 relates to emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the company that issues the underlying assets. Scope 3 refers to indirect emissions, not covered in Scope 1 and 2, that occur in the value chain of the reporting company, including both upstream and downstream emissions, in particular for sectors with a high impact on climate change and its mitigation.

3 Due to the insufficient quality of Scope 3 GHG emissions, they will be included in the calculation gradually, according to the sector.

4 Any additional exemption criteria based on climate or other ESG factors must be disclosed in the benchmark methodology.

5 Established in Article 9 of Regulation (EU) 2020/852: mitigation of climate change, adaptation to climate change, sustainable use and protection of water and marine resources, transition towards a circular economy, prevention and control of pollution, and protection and recovery of biodiversity and ecosystems.

In terms of the transparency, quality and accuracy of data sources, both PA and CT benchmarks must formalise, document and disclose:

i) The methodology on which the estimates of GHG emissions and significant harm in regard to the environmental goals is based, including the research approach and methodology used, the main assumptions and the precautionary principles of the estimates.

ii) When using external datasets, the name and contact details of the data providers, the methodology used and the main assumptions and precautionary principles, where available, as well as a hyperlink to the website of the data provider and the relevant methodology used, where available.

The decarbonisation strategy should be formalised, documented and disclosed, including the base year and instances of non-compliance with targets, reasons for failure to comply and corrective actions to be taken to achieve the adjusted target for the following year.

Data on GHG emissions for Scopes 1, 2 and 3 must be accurate and consistent with global or European standards,[30] and must disclose the standard used in the methodology.

4.2 New disclosure obligations

One of the objectives of the regulation is to establish new transparency obligations to show how the benchmark methodology contributes to achieving ESG goals. These requirements will affect all types of benchmarks, not just those labelled climate benchmarks, with the exception of interest rate and foreign exchange benchmarks, as it is considered that these are not directly linked to the Sustainable Development Goals.

All administrators must specify in the statement for each index whether or not their benchmarks or families of benchmarks pursue ESG objectives and, where applicable, how they are reflected and whether the benchmark administrator offers these indices.

Harmonising and standardising the information to be published on these benchmarks makes them comparable and users will be able to select those that best meet their investment needs, thus including and encouraging the consideration of sustainability factors in their investment decisions.

Statement and methodology EXHIBIT 1

The benchmark statement and publication of the methodology used

The BMR contains two transparency requirements. Article 13 establishes that the administrator must disclose the key elements of the calculation methodology used, details of the internal review and approvals, and the procedures for consultation and user complaints.

The statement is regulated in Article 27. The administrator must publish and keep an updated statement that defines the market or economic reality measured by the benchmark, its reliability, data sources, any exercise of discretion, corrections of errors, cases in which publication may be stopped, the methodology approved and its corresponding reviews, etc.

4.2.1 ESG factors and how they should be published

Benchmark statements other than for interest rate and foreign exchange indices must explain, using the model contained in Annex I of Delegated Regulation (EU)

30 Such as:
- The product environmental footprint or the organisation environmental footprint methods contained in Commission Recommendation 2013/179/EU, of 9 April 2013, on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations.
- The corporate value chain accounting and reporting standard (Scope 3) (September 2011), supplementing the greenhouse gas protocol corporate accounting and reporting standard.
- UNE-EN ISO 14064 or UNE-EN ISO 14069.

2020/1816, how the ESG factors listed in Annex II of the same regulation are considered, including:

- How ESG factors are reflected for each of the underlying assets.
- The ESG factor score for the corresponding benchmark and benchmark family as an aggregated weighted average value.
- Scores for any additional ESG factors considered by the benchmark administrator.
- References to the data sources and standards used for the ESG factors disclosed.
- The additional disclosures applicable to PA and CT benchmarks, as required in Sections 2 and 3 of Annex I.

The administrator of each benchmark can replace the above information with a hyperlink to a website that contains all the required information. The information must be updated at least annually and whenever there are significant changes.

The regulation identifies 28 factors that must be published by the benchmark administrator according to the types of underlying assets, as described in Tables 3 and 4. All benchmarks must report using the template included for this purpose in Annex I of the regulation. When the underlying assets of the benchmark are equities, 16 factors must be disclosed, 13 for fixed income, 11 for sovereign debt, 4 for commodities and 6 for other categories of assets.

Number of mandatory disclosure ESG factors for each type of underlying asset TABLE 3

	Combined	Environmental	Social	Governance
Shares (EQ)	–	5	9	2
Fixed income (FI)	–	5	9	–
Sovereign debt (SD)	1	3	4	3
Commodities (C)	–	1	1	2
Other (O)	–	2	3	1

Source: Own compilation based on Regulation (EU) 2020/1816.

In addition to the above, PA and CT benchmarks must also disclose other factors in their statement and comply with additional disclosure requirements, in accordance with their objectives:

- Forward-looking year-on-year decarbonisation trajectory.
- Degree to which the IPCC decarbonisation trajectory (15°C with no or limited overshoot) has been achieved on average per year since creation.
- Overlap between those benchmarks and their investable universe using the active share at asset level.

Lastly, all benchmarks must provide, from different dates depending on the type of index (see Table 1) the following information on their alignment with the objectives of the Paris Agreement:

– Whether the benchmark aligns with the target of reducing carbon emissions or the attainment of the objectives of the Paris Agreement.

– The temperature scenario, in accordance with international standards, used for alignment with the target of reducing GHG emissions or attaining of the objectives of the Paris Agreement.

– The name of the provider of the temperature scenario used for alignment with the target of reducing GHG emissions or the attainment of the objectives of the Paris Agreement.

– The methodology used for the measurement of alignment with the temperature scenario.

– A hyperlink to the website of the temperature scenario used.

– The date the information was last updated and the reason for the update.

Mandatory disclosure of ESG factors according to the type of benchmark asset TABLE 4

	Mandatory ESG factors	EQ	FI	SD	C	O
	Combined factors					
1	The percentage of underlying fund management companies signed up to international standards.			✓		
	Environmental					
2	Degree of exposure of the portfolio to the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No. 1893/2006 as a percentage of the total weight in the portfolio.	✓	✓			✓
3	GHG intensity of the benchmark.	✓	✓	✓		✓
4	Percentage of reported versus estimated emissions.	✓	✓	✓		
5	Exposure of the benchmark portfolio to companies the activities of which fall under Divisions 05 to 09, 19 and 20 of Annex I to Regulation (EC) No. 1893/2006.	✓	✓			
6	Exposure of the benchmark portfolio to activities included in the environmental goods and services sector, as defined in Article 2(5) of Regulation (EU) No. 691/2011 of the European Parliament and of the Council.	✓				
7	Percentage of green bonds in the benchmark portfolio.		✓	✓		
8	Degree of exposure of the underlying commodities to climate-transition risks, measuring the financial impacts resulting from the effects of the implementation of low-carbon strategies (low, moderate or high).				✓	
	Social					
9	International treaties and conventions, United Nations principles or, where applicable, national law used in order to determine what constitutes a "controversial weapon".	✓	✓			✓
10	Weighted average percentage of benchmark constituents in the controversial weapons sector.	✓	✓			✓
11	Weighted average percentage of benchmark constituents in the tobacco sector.	✓	✓			✓

Mandatory disclosure of ESG factors according to the type of benchmark asset *(continuation)* TABLE 4

	Mandatory ESG factors	EQ	FI	SD	C	O
12	Number of benchmark constituents subject to social violations (absolute number and relative number divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law.	✓	✓	✓		
13	Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by Conventions 1 to 8 of the International Labour Organization.	✓	✓			
14	Weighted average gender pay gap.	✓	✓			
15	Weighted average ratio of female to male board members.	✓	✓			
16	Weighted average ratio of accidents, injuries and fatalities.	✓	✓			
17	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws.	✓	✓			
18	Average human rights performance of the issuers (including a quantitative indicator and the methodology used to calculate it).			✓		
19	Average income inequality score, measuring the distribution of income and economic inequality among the participants in a particular economy (including a quantitative indicator and the methodology used to calculate it).			✓		
20	Average freedom of expression score measuring the extent to which political and civil society organisations can operate freely (including a quantitative indicator and the methodology used to calculate it).			✓		
21	Degree of exposure of the underlying commodities to social risks (low, moderate or high).				✓	
	Governance					
22	Weighted average percentage of board members who are independent.	✓				
23	Weighted average percentage of female board members.	✓				
24	Average corruption score measuring the perceived level of public sector corruption (including a quantitative indicator and the methodology used to calculate it).			✓		
25	Average score for political stability that measures the probability that the current regime will be forcibly overthrown (including a quantitative indicator and the methodology used in the calculation).			✓		
26	Average political stability score, measuring the likelihood that the current regime will be overthrown by the use of force (including a quantitative indicator and the methodology used to calculate it).			✓	✓	
27	Degree of exposure of the underlying commodities to governance risks (low, moderate or high).				✓	
28	Percentage of underlying funds with stewardship policies in place, including measures for the planning and management of resources.					✓

Source: Own compilation based on Regulation (EU) 2020/1816.

4.2.2 Transparency of the methodology

Regulation (EU) 2020/1817 defines the minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology. In this case, the philosophy is the same as that followed for the benchmark statement.

With the exception of commodity benchmarks, administrators must explain, using the standard template for each benchmark or family of benchmarks, which of the ESG factors have been considered in the design of their methodology. They must explain how these factors are reflected in the key elements of this methodology, and also with regard to the selection of underlying assets, weighting factors, parameters or metrics and proxy variables.

When a benchmark combines different types of underlying assets, the administrator must explain how the ESG factors are reflected for each of the relevant assets.

Administrators must clearly indicate whether or not the benchmarks pursue ESG objectives. The information on the methodology provided must be updated at least once a year or each time it is changed, and the reasons for the update must be indicated.

In regard to data and sources, it must be specified whether the data are reported, modelled or obtained internally or externally, and the name of the external data provider must be indicated when applicable, in addition to the processes used to assess the quality of the data. The international standards used in the methodology must also be described.

4.3 Issues that require clarification or improvement

The new regulation on climate and sustainability indices is broad and technically complex. Therefore, its practical application has generated uncertainties for the sponsors of these benchmarks and some issues have been identified that could be improved in the future.

In order to ensure a harmonised and consistent application of the new regulation, ESMA has included a section on climate and sustainability benchmarks in its question and answer document on benchmarks,[31] which is regularly updated with the responses to questions submitted by the public, financial market participants, competent authorities and other interested parties.

Some of the issues that have been clarified to date include the level of information that must be provided by benchmarks that consider sustainability factors compared to those that pursue ESG objectives, or the possibility of considering additional or different factors to those envisaged in the corresponding delegated regulations.

Several aspects have also been identified that could be taken into account in future amendments of this regulation. These include the lack of a central register for climate and sustainability benchmarks, and the lack of specific rules of use in the benchmark name, which makes them hard to identify, use and compare by potential users.

Due to the limited scope of application of BMR, ESG benchmarks could be created that fall outside regulation, i.e. that do not meet any of the three requirements set out in the definition of a "benchmark" in Article 3.3 of the BMR. If this situation were to arise, it could put the entities that offer these benchmarks in a much more

31 ESMA (2021d).

favourable competitive position than the administrators that offer benchmarks subject to the BMR. Providing these benchmarks could also give rise to greenwashing practices. Therefore, in the future, adapting the definition of these indices could be considered to give them a broader subjective scope.

Another aspect that has been drawn to the attention of regulators is the difficulties experienced by users in accessing ESG information, as well as the lack of quantitative selection criteria. Furthermore, some small- and medium-sized enterprises have mentioned the high cost of generating this information, which can make it harder for them to be included in the benchmarks.

5 ESG ratings: a necessary base for consolidating sustainable benchmarks

As sustainable finance gains a foothold and sustainable investment rises, ESG ratings have become increasingly important for investors and issuers alike and there is growing demand for these services. However, the lack of a proper regulatory framework accentuates certain problems and risks which reduce the usefulness of these ratings.

The lack of a standard definition and comparability, the lack of transparency in methodologies, the risk of conflicts of interest and the absence of supervision are some problems that have a significant impact on the construction of green portfolios and the production of benchmarks linked to ESG factors. Therefore, assessments must be available that: i) provide information about the ESG profile of an entity, ii) have proper safeguards to ensure that the information referred to is robust, and iii) are reliable, to prevent the risk of greenwashing.

5.1 Vulnerabilities and risks of the ESG ratings market

Recent studies show that, compared to credit ratings, ESG ratings show very low levels of correlation between providers, causing problems throughout the investment value chain, as well as for the construction of ESG benchmarks, as the choice of rating provider significantly affects the constituents of the indices.

In a work recently published by ESMA[32] it is estimated that while for traditional credit quality ratings the correlation in the ratings awarded by different agencies to the same issuer is very high (close to 99%), this figure drops to 60% for environmental or ESG ratings.

The fact that companies that operate in highly polluting industries can obtain high environmental scores from some ESG rating providers may lead to confusion among investors, and underscores the need for greater transparency and standard definitions.

32 Mazzacurati (2021).

This particularly affects the construction of ESG benchmarks, bearing in mind the significant volumes of assets that pursue these objectives. In the work carried out by ESMA, the Eurostoxx ESG Leaders 50 index has been analysed. This index selects the 50 leading companies based on ESG criteria, according to Sustainalytics ratings, from a universe of 1,800 companies that make up the STOXX Global 1800 index. However, only 62% to 72% of the companies identified by Sustainalytics as leaders are also considered as such by MSCI and Refinitiv. All three providers agree on only 40% of the index constituents

The impact on index performance has also been analysed by replicating it using the same methodology but applying the ratings assigned by Refinitv to select the 50 top companies in terms of ESG factors. The synthetic index was found to outperform the original index by 12 basis points (cumulative) between March and December 2020 as a result of the different composition.

Given the current growth trend in sustainable investing and passive investment products such as ETFs, measures aimed at reducing the risk of erroneous allocation of capital will be crucial in the transition to a more sustainable financial system.

5.2 Proposed measures to build confidence in ESG ratings

The ESG ratings and assessments market is complex and still in development. There is a wide variety of vendors of varying size and scope. This means that any regulatory action must be properly weighed up to include the broad spectrum of existing products while ensuring that future innovations are not left out.

Likewise, any regulatory action must be proportionate in order to include large multinational providers, which may be subject to existing regulatory frameworks, and smaller entities that do not have the same regulatory compliance experience but will have a valuable role to play in the future.

ESMA and other authorities have proposed, in response to the public consultation on the EC's new strategy for sustainable financing,[33] a European regulation that includes a standard definition of ESG ratings that covers the wide range of evaluations currently offered. Table 5 shows ESMA's proposals.[34]

33 The results of the recently-published public consultation show that 80% of responses are in favour of the European Commission acting on this issue.

34 ESMA (2021c).

ESMA recommendations on the regulation of ESG ratings

TABLE 5

Legally binding definition	➔	An ESG rating is an opinion on the impact of an entity, issuer or debt security on exposure to ESG factors, alignment with international climate agreements or on sustainability characteristics issued using a defined classification system of rating categories.
Registration and supervision	➔	It should be overseen by an authority to ensure that all entities are subject to the same organisational, conflict of interest and transparency requirements. ESMA could take responsibility.
Product requirements	➔	There should be specific product requirements applicable to ESG ratings and assessments: up-to-date, reliable and transparent data sources, and robust methodologies that are transparent and verifiable.
Proportionality	➔	The regulatory framework should ensure that larger and more systemic entities are subject to organisational and conflict of interest requirements that reflect their growing importance in the area of sustainable finance. At the same time, it should ensure that smaller entities benefit from appropriate exemptions.

Source: Own compilation based on ESMA's response to the EC consultation.

Among the proposed measures, the advantage of ESMA assuming the role of direct supervisor of these agents is highlighted due to the high concentration of providers in the ESG ratings market and the experience of that authority in supervising credit ratings providers, which would ensure economies of scale for supervisory resources and benefit the industry in general by sidestepping different regulatory or supervisory mandates.

6 Relationship between investment products and climate and sustainability benchmarks

The EU has taken appropriate steps to build a sustainable financial ecosystem. As explained in Section 2, the Taxonomy Regulation, the Regulation on the disclosure of information related to sustainability in the financial services sector (SFDR)[35] and the Benchmark Regulation (BMR) are key pieces of the European Commission's Sustainable Finance Action Plan that aim to bring about changes in the behaviour patterns of the financial sector, discouraging greenwashing, increasing transparency, promoting responsible and sustainable investment and providing investors with the tools to identify investment opportunities that meet their sustainable investment objectives.

In this context, the relationship between investment products and benchmarks in the area of sustainability disclosures in the financial services sector is analysed below, the obligations of which are set out in the SFDR and in the amended BMR,[36]

35 Regulation (EU) 2019/2088 of the European Parliament and of the Council, of 27 November 2019, on sustainability-related disclosures in the financial services sector.

36 Regulation (EU) 2019/2089 of the European Parliament and of the Council, of 27 November 2019, amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks.

alongside the corresponding technical development standards.[37] Subsequently, information is presented on the types of benchmarks used by sustainable investment funds registered with the CNMV, showing the relationship between the benchmarks and the asset management industry in the alignment of sustainability considerations and the transition to a low-carbon economy. This section also contains a comparison of the performance of general market indices with sustainability benchmarks linked to the growing preference for sustainable investment.

6.1 The Sustainable Finance Disclosure Regulation

The objective of the SFDR, which entered into force on 1 March 2021, as indicated in Article 1, is to lay down harmonised rules for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products.

To meet this objective, the SFDR establishes new reporting obligations that are aligned with the level of transparency and commitment to the ESG criteria of the financial product, which are more stringent and detailed for products that pursue sustainable investment objectives, known as "dark green products" or products included in Article 9 of the SFDR, than for those applied to "light green products" or products included in Article 8 of the SFDR that offer ESG features. The new obligations also apply to conventional products or products that are not related to ESG factors (see Table 6) and affect the information contained on the website, precontractual information (the prospectus in the case of collective investment products) and annual periodic reports.

Product classification under the SFDR TABLE 6

Level of demand for ESG transparency	
↓	**Conventional products (Article 6 SFDR)** These products cannot be presented as sustainable even when entities disclose how they integrate sustainability risks and principal adverse impacts (PAIs) into their investment management decisions.
↓	**Products promoting ESG factors (Article 8 SFDR)** The management of these products explicitly integrates environmental or social considerations, beyond the simple inclusion of sustainability risks.
↓	**Products with an ESG objective (Article 9 SFDR)** These products aim to have a positive effect on the environment and society, and define an explicit objective applicable to their investment strategy.

Source: Own compilation based on the SFDR.

37 In the case of the SFDR, on the date of publication of the article, the delegated technical standards had not been approved (https://www.esma.europa.eu/sites/default/files/library/jc_2021_03_joint_esas_final_report_on_rts_under_sfdr.pdf; jc_2021_22_-_joint_consultation_paper_on_taxonomy-related_sustainability_disclosures.pdf (europa.eu)).

This ensures that products can be easily compared and improves the final investor's knowledge of the sustainability credentials of financial products. In order to comply with the new disclosure obligations, the product management or distribution entities must classify them according to one of the three categories shown in Table 6.

In accordance with the criteria established by the CNMV[38] on the inclusion of ESG factors in the names and commercial communications of these products, those included under Article 8 of the SFDR may contain ESG elements in their name only if the minimum amount of investments indicated in their prospectus to achieve the environmental or social characteristics that they promote is greater than 50%.

Beyond their name, in regard to the use of ESG elements in commercial communications in general, only the financial products referred to in Article 8 or 9 of the SFDR may include these terms, provided that the content of the advertising message is aligned with the information contained in the prospectus.

The transparency obligations can be summarised as follows:

– Information about policies on the integration of sustainability risks in the investment decision-making process: to be published on websites (Article 3) and in pre-contractual information at product level (Article 6).

– A statement about the policy on adverse impacts of investment decisions or advice on sustainability factors, which must be included on the entity's website (Article 4) and in the pre-contractual information at the product level (Article 7).

– Transparency on websites about the entity's remuneration policies in relation to the integration of sustainability risk (Article 5).

– When a product promotes environmental or social characteristics of a product (provided that the companies in which it is invested observe good governance practices) this must be shown on the entity's website (Article 10), in pre-contractual information (Article 8) and in the corresponding periodic information, annual reports in the case of CISs (Article 11).

– Information on products aimed at sustainable investments: to be included on websites (Article 10), in pre-contractual information (Article 9) and in the corresponding periodic information, annual report in the case of CISs (Article 11).

It is usual practice for financial products that consider or pursue ESG objectives to designate specific benchmarks to facilitate their investment strategy and allow their performance to be compared. For these products, there are specific requirements for compliance with the disclosure obligations, the most relevant aspects of which are listed below:

38 CNMV (2021a).

- Financial products with ESG characteristics must disclose whether, and in what way, the designated benchmark is consistent with these characteristics and if a benchmark is not used information must be given on how the product meets sustainability requirements.

- Financial products that claim to have a positive effect on the environment and society must disclose the sustainability benchmark they use to measure sustainable performance and if a benchmark is not used explain how the sustainability target has been met.

- Managers of products that designate specific benchmarks will need to publish information on their websites about the benchmark calculation, such as the methodology used to select the data or how the index is calculated (alternatively, a hyperlink to the website of the benchmark administrator can be used).

- From 1 January 2022, managers must include in their periodic reports information on the overall impact of their financial products on sustainability through indicators that measure the selected sustainable investment objective. Where a benchmark has been designated, they should provide information on that benchmark, as well as a general market index for purposes of comparison.

- Managers that indicate that a financial product has the goal of reducing carbon emissions, must provide a detailed explanation of how the low-carbon objective will be guaranteed in order to meet the long-term global warming objectives of the Paris Agreement. If a climate benchmark is designated, these obligations are more easily fulfilled by making a reference to the index and indicating where its methodology can be found.

Table 7 sets out the specific disclosure obligations applicable to financial products that have designated a benchmark.

Transparency obligations for financial products with a designated benchmark

TABLE 7

	SFRD Articles	Products that promote ESG criteria (Art. 8 SFDR)	Products with sustainable investment goals (Art. 9 SFDR)
Pre-contractual information	Articles 8 and 9 SFDR Articles 18, 25 and 26 of the draft RTS	– An indication of whether a specific index has been designated as a benchmark to determine whether the financial product is aligned with the ESG characteristics it promotes. – How the benchmark takes into account ESG characteristics so that it is continually aligned with the characteristics it promotes and the investment strategy. – How the designated benchmark differs from a broad market index. – Information on where to find the index calculation methodology.	– An indication of whether a specific index has been designated as a benchmark to meet the sustainable investment objective. – How the benchmark takes into account sustainability factors so that it continually aligns with the sustainable investment objective. – Why and how the designated benchmark differs from a broad market index. – Information on where to find the index calculation methodology. – How the alignment of the investment strategy with the index methodology is ensured at all times. – For financial products that aim to reduce carbon emissions, if a CT/AP benchmark is used, information must be included on where to find the index calculation methodology. Otherwise, an explanation must be included of the extent to which the financial product meets the methodology requirements established in Delegated Regulation (EU) 2020/1818.
Website	Article 10 SFDR Articles 32, 44 and 45 of the draft RTS	– Description of how the index used as a benchmark aligns with the characteristics or objectives of the product, including the data sources, the methodologies used to select that data, the rebalancing methodologies and how the index is calculated. – A link to the administrator's website can be included if it contains this information.	– A descripti on of how the index used as a benchmark aligns with the objectives of the product, including the data sources, the methodologies used to select that data, the rebalancing methodologies and how the index is calculated. – A link to the administrator's website can be included if it contains this information. – For financial products that aim to reduce carbon emissions, if a CT/AP benchmark is used, a hyperlink must be included showing the index calculation methodology. Otherwise, an explanation must be included of the extent to which the financial product meets the methodology requirements established in Delegated Regulation (EU) 2020/1818.
Periodic reports	Article 11 SFDR Articles 63, 69 and 70 of the draft RTS	– An explanation of the difference between the ESG index and a general market index. – An explanation of the performance of the sustainability indicators that determine the alignment of the index with the characteristics or objectives of the product. A specific section must be included for CT and PA benchmarks. – A comparison of financial product performance with the ESG index and the general market index.	

Source: Own compilation based on the SFDR, draft regulatory technical standards on the content, methodologies and presentation of information (draft RTS)[1] and the implementation criteria published by the CNMV.[2]

1 Joint Committee of the European Supervisory Authorities (2021).

2 CNMV (2021a) and CNMV (2021b).

6.2 Indices used by sustainable investment funds registered with the CNMV

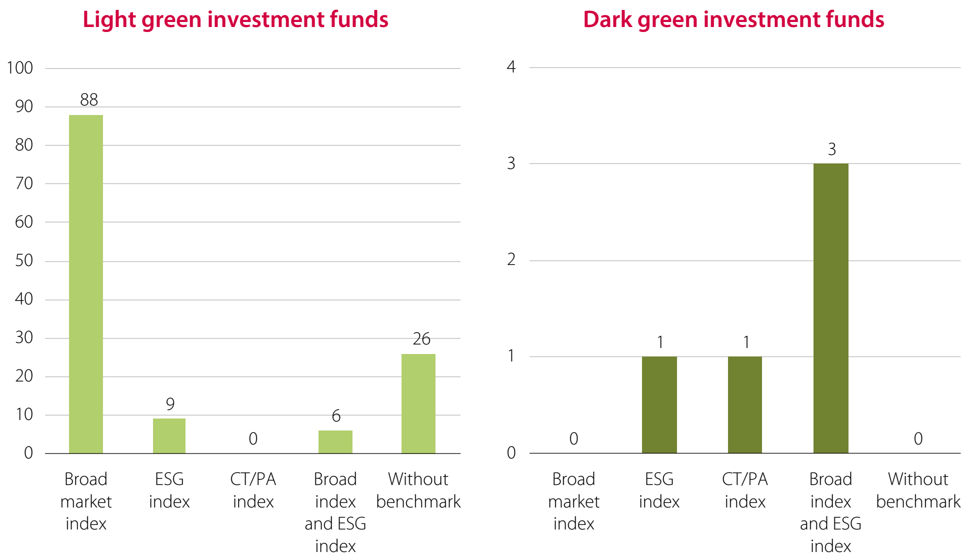
Up until July 2021, 135 investment funds had been registered with the CNMV in the categories described in Articles 8 and 9 of the SFDR, belonging to 56 management companies: Most of these funds are classified as products that promote ESG criteria, i.e. light green funds under Article 8 of the SFDR.

Only six dark green funds (Article 9 SFDR) that pursue ESG objectives have been registered to date.

As shown in Figure 1, sustainable investment funds make wide use of indices as a benchmark to measure their performance.

In a more detailed analysis of index types, it can be observed that light green investment funds mostly use general market indices, while the number of funds that use specific climate or sustainability benchmarks is significantly lower. However, most dark green investment funds use specific climate or sustainability benchmarks.

Number of sustainable investment funds registered with the CNMV based on the type of index used as a benchmark FIGURE 1



Source: Own compilation based on data from the CNMV investment fund registry.

Only one dark green fund, with an objective of reducing carbon emissions, has designated an EU climate transition benchmark. The management objective of this fund is to replicate the Solactive 360 Euro IG Corporate CTB index, classified as a CT index, to thus meet the sustainable investment objective of a minimum 7% decarbonisation per year, with a maximum deviation of 5% per year.

According to the fund prospectus,[39] the index is replicated mainly synthetically through an OTC derivative and, to a lesser extent, through the direct acquisition of the securities that make up the index.

In order to comply with its transparency obligations, the fund manager compiles the information published by the benchmark administrator. Thus, aspects such as the definition of the sustainability objective, the sustainability indicators used to measure its achievement (in this case, GHG) or the criteria followed to select the investments that allow the sustainable investment objective to be achieved come from information published by the benchmark administrator,[40] in accordance with the provisions of the regulation on climate and sustainability benchmarks.

6.3 Comparative analysis of the performance of traditional indices and climate and sustainability benchmarks

The growth in assets that pursue sustainable investment strategies in recent years responds to rising demand from both individual investors and investment managers. A recent study by Zeb and Morningstar[41] shows that the net assets of sustainable funds have more than doubled since 2018 and that more than half (52%) of new net inflows in 2020 went to sustainable funds registered in Europe.

However, the incentives to invest in these sustainable products do not always correspond to a better expected return on investment, and in many cases investors are willing to receive lower returns in exchange for investing in more sustainable companies.

A recent work published in the *Journal of Financial Stability*[42] concludes that companies' alignment with sustainability factors and the quality of their transparency levels are highly valued by the market, but only in combination. The same work shows that investors will accept lower returns in order to hold greener and more transparent stocks. Another study by Bolton and Kacperczyk[43] points out that there is a "carbon premium" in the stock markets, in other words, companies with higher emissions compensate investors by offering higher returns.

If the performance of the Ibex 35 index is compared[44] with the FTSE 4Good Ibex[45] over the three and a half years between January 2018 and July 2021 – when the two

39 Abanca Renta Fija Transición Climática 360, Fondo de Inversión. Prospectus. 23 July.

40 This information is included in a document attached to the prospectus that contains information on sustainability in accordance with Article 9 of the SFDR.

41 Zeb and Morningstar (2021).

42 Alessi, Ossola and Panzica (2021).

43 Bolton and Kacperczyk (2021).

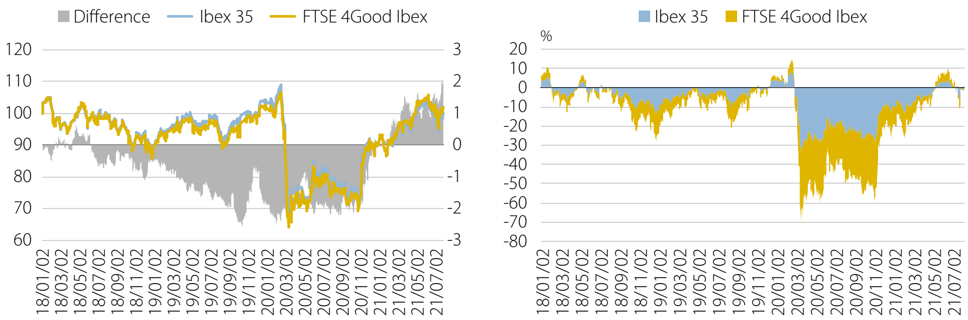
44 The Ibex 35 index, calculated and published by Sociedad de Bolsas, S.A. (BME Group), is made up of the 35 most liquid securities traded on the Spanish stock market. Its components are weighted by market capitalisation adjusted for free float.

45 The FTSE 4Good Ibex index, managed by FTSE Russell and published daily by Bolsas y Mercados Españoles (BME), contains companies from the Ibex 35 and the FTSE España All Cap index that demonstrate good sustainability practices, with some specific ESG ratings awarded by FTSE Russell . Currently the index is made up of 46 stocks, of which 30 are also part of the Ibex 35.

indices were almost perfectly correlated (0.99) –, it can be observed that the Ibex 35 systematically outperforms the FTSE 4Good Ibex index throughout the period (see Figure 2).

Comparative performance of the Ibex 35 and the FTSE 4Good Ibex in the period from January 2018 to July 2021 FIGURE 2

Daily quote prices (base 100)[1] **Accumulated returns**



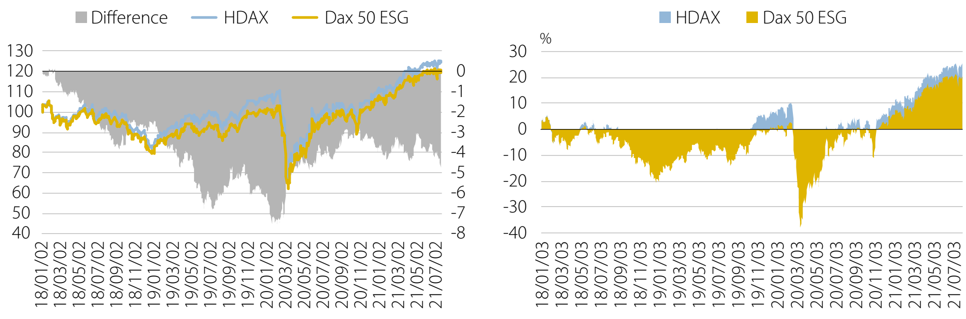
Source: Own compilation based on data from Bloomberg.

1 The secondary axis shows the difference between the daily prices (base 100) of the ESG index and those of the general market index.

The same conclusion is obtained when the HDAX[46] and Dax 50 ESG[47] indices are compared for the same period. With an almost perfect correlation (also 0.99), the German stock market general index, which comprises shares of the 110 largest and most liquid companies, is always more profitable than the index that selects ESG criteria.

Comparative performance of the HDAX index and the Dax 50 ESG in the period from January 2018 to July 2021 FIGURE 3

Daily quote prices (base 100) **Accumulated returns**



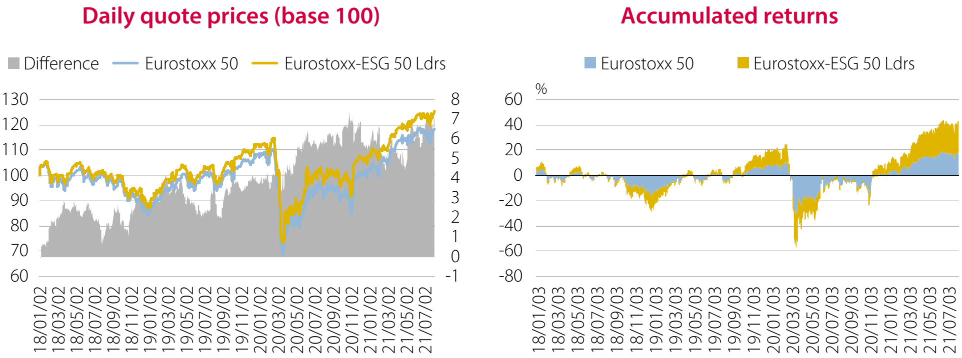
Source: Own compilation based on data from Bloomberg.

46 The HDAX index, managed by Deutsche Börse AG, contains all the companies that make up the Dax indices (containing the 30 largest and most liquid companies on the German market), MDAX (includes the 50 companies with international transparency standards that are located immediately below those included in the Dax index, excluding the technology sector) and TecDAX (comprising 30 shares of the main technology sector companies in Germany also trailing those that make up the Dax in terms of earnings and market capitalisation).

47 The universe for the Dax® 50 ESG index is the HDAX index. This includes the 50 largest and most liquid stocks on the German market that meet certain ESG criteria.

However, this outperformance by the general indices does not occur in all cases. If the daily quote prices and accumulated returns from the beginning of 2018 to August 2021 are compared, the Eurostoxx-ESG Leaders 50 index[48] outpaces the general Eurostoxx 50 index[49] in almost the entire period analysed.

Comparative performance of the Eurostoxx 50 index and the Eurostoxx-ESG Leaders 50 in the period from January 2018 to July 2021 FIGURE 4



Source: Own compilation based on data from Bloomberg.

Table 8 presents the accumulated returns of the indices analysed at 1, 2 and 3 years.

Accumulated returns at 1, 2 and 3 years of the Ibex 35, FTSE 4Good Ibex, HDAX, Dax 50 ESG, Eurostoxx 50 and Eurostoxx-ESG Leaders 50 indices[1] TABLE 8

%

	Ibex 35	FTSE 4Good Ibex	HDAX	Dax 50 ESG	Eurostoxx 50	Eurostoxx-ESG Leaders 50
1 year	-11.709	-12.264	-16.498	-19.150	-14.240	-11.564
2 year	4.325	2.533	7.226	1.038	8.683	12.392
3 year	-9.970	-9.859	9.333	5.544	2.126	8.152

Source: Own compilation based on data from Bloomberg.

1 Initial reference date: 2 January 2018.

A recent study published by ESMA[50] also identifies some dispersion in the performance of the ESG indices to some extent as a result of the different composition of these indices and also of the different providers of ESG ratings, which, as noted in Section 5, tend to show a low level of correlation.

48 The Eurostoxx-ESG Leaders 50 index, managed by Stoxx Ltd, according to information published by its administrator, covers the world's 50 leading companies based on ESG criteria from 11 euro area countries (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain).

49 The Eurostoxx 50 index, also managed by Stoxx Ltd, according to information published by its administrator, covers the 50 largest companies from 19 sectors based on capitalisation in 11 euro area countries (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain).

50 The sustainable finance section of the ESMA report (2021a) contains an analysis of the performance of ESG indices.

However, demand for sustainable investment products is expected to remain strong so long as less polluting companies remain consistently more profitable for investors than polluting companies. Otherwise, investments based on sustainability principles could be particularly volatile during severe economic crises.

A study by Döttling and Kim[51] looks at how retail investors' preferences for socially responsible investing respond to market distress and corroborates that funds with the highest sustainability ratings experience steeper drops in their inflows during times of stress, such as the COVID-19 pandemic. This suggests that there tends to be a shift away from sustainability among retail investor preferences in the event of economic shock, highlighting a source of weakness in the increasingly popular socially responsible investment market.

7 Conclusions

Climate and sustainability benchmarks have been called on to play a pivotal role in meeting the Sustainable Development Goals as drivers of the mobilisation of financial resources into an economy that is more resilient to climate change and consistent with the principles of sustainability.

Notable progress has been made in the area of regulation in recent years, especially in the EU, which is the leading jurisdiction in this subject. This regulation has boosted the growing demand for sustainable investment products. However, there is still a long way to go before the tools that are available to access financing for the transition become truly effective.

There is a need to include, with the appropriate incentives, small and medium-sized enterprises, to make progress on the standardisation and transparency of sustainability disclosures, to achieve the broadest and fullest implementation of the taxonomy for sustainable activities, to have reliable, comparable and easily accessible sustainability ratings in place, and to broadly improve our knowledge, monitoring and control of sustainability risks – both direct climate and transition risks and risks related to a transition that is too costly or not directed towards sustainability.

This will help benchmark indices to more effectively exercise the role they are called upon to play, helping to encourage markets to make an efficient allocation of capital to facilitate the transition to a more sustainable financial system.

51 Döttling and Kim (2020).

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III Legislative Annex

Since the publication of the *CNMV Bulletin* for the second quarter of 2021, the following legislative developments have taken place:

National regulations

– Law 10/2021, of 9 July, on remote working.

  This Law will apply to employment relationships that correspond to the conditions described in Article 1.1 of the recast text of the Law on the Statute of Workers' Rights, approved by Royal Legislative Decree 2/2015, of 23 October, and are carried out remotely on a regular basis.

  Remote working is considered to be on a regular basis when, within a reference period of three months, at least 30% of the working hours, or the equivalent proportional percentage according to the duration of the employment contract are worked remotely.

  The Second Additional Provision of this Law, on public employees, establishes that its provisions will not apply to employees of the public administration service, which will be governed by specific regulations in this area.

  The Ninth Final Provision, on the amendment of Law 39/2015, of 1 October, on the Common Administrative Procedure of Public Administrations, amending the Seventh Final Provision of Law 39/2015, of 1 October, is now worded as follows:

  "Seventh Final Provision. Entry into force.

  This Law will enter into force one year after its publication in the Official State Gazette (*BOE*)".

  However, the provisions relating to electronic register of powers of attorney, the electronic register, the register of authorised public sector employees, the general electronic access point of the Administration and single electronic file will take effect as of 2 April 2021".

– Law 11/2021, of 9 July, on measures to prevent and combat tax fraud, transposing Council Directive (EU) 2016/1164, of 12 July 2016, laying down rules against tax avoidance practices that directly affect the functioning of the internal market, amending various tax regulations and the regulation of gambling.

  This Law amends various regulations, mainly tax regulations, with a dual purpose. First, to incorporate European Union law into Spanish law in the area of tax avoidance practices. Second, to make changes in the regulation to establish some parameters for tax justice and actions aimed at preventing and combating fraud by strengthening tax control.

  Law 27/2014, of 27 November, on Corporate Tax is amended, in order to establish additional requirements for open-ended collective investment schemes (SICAVs) to apply the 1% tax rate. Up until now, the number of shareholders required to apply the 1% rate was usually 100, with no minimum investment required from each one. This led to very large percentages of SICAV shareholders being concentrated in one or more individuals, while the remaining shares were distributed among shareholders with economically insignificant stakes, undermining the "collective" nature of SICAVs, which justifies the reduced tax rate.

To reinforce the collective nature of these products, objective requirements have been established for shareholders to ensure they qualify for the 1% tax rate and that they have an economic interest in the company. This economic interest is quantified on the basis of a specific investment amount.

The amendment has been accompanied by a transitional regime for the dissolution and settlement of SICAVs, which is intended to enable shareholders to transfer their investments to other collective investment schemes (CISs) that meet the requirements for the continued application of the 1% Corporate Tax rate.

In addition, the treatment of investments in certain CISs, funds and exchange traded funds (ETFs) has been standardised, regardless of the whether they are listed on Spanish or foreign markets. Thus, the treatment CISs traded on Spanish stock markets is extended to CISs listed on foreign stock markets in terms of the non-application of the deferral regime (amendment of the recast text of the Law on Non-Resident Income Tax, approved by Royal Legislative Decree 5/2004, of 5 March).

Article 314 on the exemption from paying value added tax, transfer tax and stamp duty set out the recast text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, has been amended to remove references to the real valuation value of real estate, which is replaced, in particular for the purposes of the transfer tax and stamp duty, by the reference value.

Law 11/2009, of 26 October, which regulates listed public limited companies for investment in real estate assets (SOCIMI) has been amended to establish a special tax on the portion of non-distributed profits deriving from income that has not been taxed at the general Corporate Tax rate, or during the legal reinvestment period, and the disclosure obligations have been changed to reflect the new taxation regime (a new section 4 has been added to Article 9, so that the current section 4 is now section 5, and section 1 of Article 11 has been amended).

Comisión Nacional del Mercado de Valores

– Resolution of the CNMV Board, of 29 July, approving the CNMV Internal Regulation.

With the aim of improving service and dialogue with supervised entities and issuers located in the Basque Country and taking into account their number and size, the CNMV has agreed to open a new branch in Bilbao. Therefore, the Sole Final Provision of the Internal Regulation has been amended.

- CNMV agreement, of 29 July 2021, on the delegation of powers.

- Correction of errors in the CNMV Board agreement, of 29 July 2021, on the delegation of powers.

European Securities and Markets Authority (ESMA)

- Guidelines on enforcement of financial information (23/11/2020). European Securities and Markets Authority (ESMA).

- Guidelines on written agreements between members of CCP colleges (01/07/2021). European Securities and Markets Authority (ESMA).

- Guidelines on the MiFID II/MiFIR obligations on market data (18/08/2021). European Securities and Markets Authority (ESMA).

European Union regulations (in order of publication in the *OJEU*)

- Commission Regulation (EU) 2021/1080, of 28 June, amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 16, 37 and 41 and International Financial Reporting Standards 1, 3 and 9.

  Published in the *OJEU* (L) No. 234, of 2 July 2021, pp. 90-98.

- Commission Delegated Regulation (EU) 2021/1415, of 5 May, supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards on the cooperation, exchange of information and notification obligations between competent authorities and ESMA, the EBA and EIOPA.

  Published in the *OJEU* (L-I) No. 304, of 30 August 2021, pp. 1-13.

- Commission Regulation (EU) 2021/1421, of 30 August, amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 16.

  Published in the *OJEU* (L) No. 305, of 31 August 2021, pp. 17-20.

– Commission Delegated Regulation (EU) 2021/1456, of 2 June, supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council by specifying the conditions under which the commercial terms for clearing services for OTC derivatives are to be considered to be fair, reasonable, non-discriminatory and transparent.

Published in the *OJEU* (L) No. 317, of 8 September 2021, pp. 1-6.

IV Statistics Annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

				2020		2021		
	2018	2019	2020	III	IV	I	II	III
NO. OF ISSUERS								
Total	46	33	28	8	14	10	10	15
Capital increases	45	33	28	8	14	10	10	14
Primary offerings	2	1	1	0	1	0	1	0
Bonus issues	12	10	12	5	6	6	4	7
Of which, scrip dividend	10	9	12	5	6	6	3	6
Capital increases by conversion	6	3	2	0	0	0	1	3
For non-monetary consideration	7	2	1	0	1	1	1	2
With pre-emptive subscription rights	10	8	5	1	3	0	1	1
Without trading warrants	16	13	9	2	4	3	4	4
Secondary offerings	1	0	0	0	0	0	0	1
NO. OF ISSUES								
Total	81	52	40	8	16	10	14	18
Capital increases	80	52	40	8	16	10	14	17
Primary offerings	2	1	1	0	1	0	3	0
Bonus issues	17	15	17	5	6	6	17	25
Of which, scrip dividend	15	14	17	5	6	6	3	6
Capital increases by conversion	10	4	2	0	0	0	1	3
For non-monetary consideration	9	2	2	0	1	1	1	3
With pre-emptive subscription rights	10	9	5	1	3	0	1	1
Without trading warrants	32	21	13	2	5	3	4	4
Secondary offerings	1	0	0	0	0	0	0	1
CASH VALUE (millions of euros)								
Total	12,063.2	9,806.0	10,852.1	5,108.5	3,560.3	2,969.2	8,948.7	4,898.8
Capital increases	11,329.5	9,806.0	10,852.1	5,108.5	3,560.3	2,969.2	8,948.7	2,698.6
Primary offerings	200.1	10.0	150.1	0.0	150.1	0.0	100.0	0.0
Bonus issues	3,939.7	1,565.4	1,949.0	1,083.9	375.2	772.5	195.8	131.1
Of which, scrip dividend	3,915.2	1,564.1	1,949.0	1,083.9	375.2	772.5	195.8	131.1
Capital increases by conversion	388.7	354.9	162.4	0.0	0.0	0.0	68.0	41.4
For non-monetary consideration[2]	2,999.7	2,034.2	233.0	0.0	220.5	2,079.2	56.0	1,390.1
With pre-emptive subscription rights	888.4	4,729.8	6,837.2	3,999.5	2,787.7	0.0	7,032.8	6.3
Without trading warrants	2,912.9	1,111.8	1,520.3	25.1	26.8	117.5	1,496.0	1,129.6
Secondary offerings	733.7	0.0	0.0	0.0	0.0	0.0	0.0	2,200.2
NOMINAL VALUE (millions of euros)								
Total	2,092.4	1,336.9	1,282.0	328.3	799.2	2,396.6	445.0	1,991.7
Capital increases	1,810.6	1,336.9	1,282.0	328.3	799.2	2,396.6	445.0	1,909.4
Primary offerings	104.9	0.5	7.8	0.0	7.8	0.0	5.4	0.0
Bonus issues	381.6	307.6	799.6	301.7	375.2	303.9	195.8	131.1
Of which, scrip dividend	357.1	306.3	799.6	301.7	375.2	303.9	195.8	131.1
Capital increases by conversion	90.0	16.6	1.7	0.0	0.0	0.0	23.0	23.3
For non-monetary consideration	557.6	401.0	68.0	0.0	66.8	2,079.2	56.0	1,153.8
With pre-emptive subscription rights	611.1	372.1	370.9	25.3	344.5	0.0	72.5	5.1
Without trading warrants	65.5	239.1	34.1	1.3	4.8	13.4	92.3	596.1
Secondary offerings	281.7	0.0	0.0	0.0	0.0	0.0	0.0	82.3
***Pro memoria*: transactions BME Growth[3]**								
No. of issuers	8	12	9	2	3	9	11	26
No. of issues	12	17	14	2	3	11	15	32
Cash value (millions of euros)	164.5	298.3	238.5	36.0	174.3	83.2	692.3	1,230.6
Capital increases	164.5	298.3	238.5	36.0	174.3	83.2	692.3	1,230.6
Of which, primary offerings	0.0	229.4	173.5	0.0	173.4	0.0	405.5	869.6
Secondary offerings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Registered transactions at the CNMV. Does not include data from BME Growth, ETF or Latibex.
2 Capital increases for non-monetary consideration are valued at market prices.
3 Unregistered transactions at the CNMV. Source: BME and CNMV.

Companies listed[1]

TABLE 1.2

	2018	2019	2020	2020 III	IV	2021 I	II	III
Total electronic market[2]	133	129	127	127	127	127	129	126
Of which, foreign companies	8	7	7	7	7	7	7	7
Second market	4	3	0	0	0	0	0	0
Madrid	1	1	0	0	0	0	0	0
Barcelona	3	2	0	0	0	0	0	0
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry	11	9	11	11	11	10	10	10
Madrid	4	3	3	3	3	3	3	3
Barcelona	6	5	6	6	6	6	6	6
Bilbao	3	2	2	2	2	2	2	2
Valencia	3	2	2	2	2	1	1	1
BME MTF Equity[3]	2,842	2,709	2,580	2,627	2,580	2,530	2,484	2,458
Latibex	19	19	19	19	19	19	19	18

1 Data at the end of period.
2 Without ETFs (Exchange Traded Funds).
3 Alternative Stock Market.

Capitalisation[1]

TABLE 1.3

Millions of euros

	2018	2019	2020	2020 III	IV	2021 I	II	III[2]
Total electronic market[3]	733,656.4	806,064.3	690,101.6	565,124.3	690,101.6	740,998.9	775,240.5	784,104.0
Of which, foreign companies[4]	143,598.7	141,671.0	113,478.9	79,132.6	113,478.9	127,137.4	140,652.7	146,598.2
Ibex 35	444,178.3	494,789.4	424,167.3	355,491.3	424,167.3	424,167.3	484,076.2	485,014.1
Second market	37.4	31.1	0.0	0.0	0.0	0.0	0.0	0.0
Madrid	1.9	1.9	0.0	0.0	0.0	0.0	0.0	0.0
Barcelona	35.4	29.2	0.0	0.0	0.0	0.0	0.0	0.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry	1,459.1	1,154.2	1,053.6	1,053.9	1,053.6	1,072.1	1,283.7	1,299.5
Madrid	219.4	69.8	30.9	44.4	30.9	27.1	27.1	23.1
Barcelona	1,318.4	1,036.5	956.0	944.6	956.0	1,009.5	1,221.1	1,239.4
Bilbao	56.5	32.9	20.6	22.5	20.6	21.2	21.2	19.7
Valencia	257.0	80.4	76.0	76.0	76.0	45.3	45.3	45.3
BME MTF Equity[5, 6]	40,020.7	44,706.4	43,595.5	42,231.5	43,595.5	44,706.5	46,128.3	47,484.6
Latibex	223,491.3	199,022.2	177,210.3	136,210.7	177,210.3	184,754.0	229,997.7	184,664.1

1 Data at the end of period.
2 Data at the end of the quarter, except Ibex 35, which refer to 31 August.
3 Without ETFs (Exchange Traded Funds).
4 Capitalisation of foreign companies 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

Millions of euros

	2018	2019	2020	2020 III	2020 IV	2021 I	2021 II	2021 III
Total electronic market[1]	583,327.6	462,378.8	421,921.5	82,005.2	104,900.9	92,325.6	92,862.5	78,833.1
Of which, foreign companies	3,517.1	3,477.8	4,261.3	1,079.2	941.4	1,056.9	1,061.9	1,106.5
Second market	0.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Madrid	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Barcelona	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry	8.2	6.2	2.5	0.2	0.5	2.8	2.6	0.4
Madrid	0.7	0.8	0.1	0.0	0.0	0.0	0.0	0.0
Barcelona	7.4	3.2	2.4	0.2	0.5	2.7	2.6	0.4
Bilbao	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
BME MTF Equity[2]	4,216.3	4,014.4	3,919.2	651.6	1,322.6	971.2	815.2	639.8
Latibex	151.6	136.4	79.4	16.6	9.3	11.2	8.1	7.9

1 Without ETFs (Exchange Traded Funds).
2 Alternative Stock Market.

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

TABLE 1.5

Millions of euros

	2018	2019	2020	2020 III	2020 IV	2021 I	2021 II	2021 III
Regular trading	552,716.8	450,575.7	404,255.6	77,141.0	101,374.2	89,838.4	88,486.7	75,244.2
Orders	300,107.8	258,242.2	277,651.1	55,007.2	65,258.3	65,154.6	55,217.9	54,975.2
Put-throughs	48,644.1	38,888.0	42,666.5	9,273.5	11,613.4	10,629.0	10,135.9	8,809.5
Block trades	203,965.0	153,445.5	83,938.0	12,860.3	24,502.5	14,054.8	23,132.8	11,459.5
Off-hours	1,667.2	3,098.1	4,174.3	456.4	937.2	970.0	1,721.1	435.6
Authorised trades	2,597.0	1,706.3	2,001.4	938.5	568.8	261.8	379.5	200.9
Art. 36.1 SMA trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	18,981.7	2,509.5	5,250.9	2,681.7	0.0	0.0	0.0	2,092.0
Public offerings for sale	1,333.2	634.4	967.8	0.0	165.0	105.0	1,618.2	0.0
Declared trades	200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Options	3,793.9	3,422.0	3,369.1	378.3	1,308.7	747.8	400.5	633.9
Hedge transactions	2,037.8	1,799.4	1,902.4	409.3	546.9	402.7	256.6	226.5

1 Without ETFs (Exchange Traded Funds).

1.2 Fixed income

Gross issues registered at the CNMV

TABLE 1.6

	2018	2019	2020	2020 III	IV	2021 I	II	III
NO. OF ISSUERS								
Total	43	39	47	13	25	11	14	10
Mortgage-covered bonds	12	12	14	3	6	3	3	3
Territorial-covered bonds	2	2	3	3	0	0	2	0
Non-convertible bonds and debentures	13	13	11	3	8	3	3	5
Convertible bonds and debentures	0	0	0	0	0	0	0	0
Backed securities	14	13	15	4	6	3	4	4
Commercial paper	13	11	11	1	4	1	5	0
Of which, asset-backed	1	0	0	0	0	0	0	0
Of which, non-asset-backed	12	11	11	1	4	1	5	0
Other fixed-income issues	0	1	2	0	0	1	0	0
Preference shares	4	1	2	1	1	0	1	0
NO. OF ISSUES								
Total	303	298	244	62	67	44	48	43
Mortgage-covered bonds	28	29	26	4	6	3	4	7
Territorial-covered bonds	2	3	6	3	0	0	2	0
Non-convertible bonds and debentures	215	205	143	42	34	28	23	21
Convertible bonds and debentures	0	0	0	0	0	0	0	0
Backed securities	41	48	52	11	22	10	14	14
Commercial paper[1]	13	11	11	1	4	1	5	0
Of which, asset-backed	1	0	0	0	0	0	0	0
Of which, non-asset-backed	12	11	11	1	4	1	5	0
Other fixed-income issues	0	1	4	0	0	1	0	0
Preference shares	4	1	2	1	1	1	0	1
NOMINAL AMOUNT (millions of euros)								
Total	101,295.6	90,164.5	132,111.3	20,743.1	54,734.5	23,538.4	24,678.1	25,333.6
Mortgage-covered bonds	26,575.0	22,933.0	22,960.0	1,160.0	4,450.0	3,500.0	9,000.0	9,450.0
Territorial-covered bonds	2,800.0	1,300.0	9,150.0	4,400.0	0.0	0.0	3,500.0	0.0
Non-convertible bonds and debentures	35,836.4	29,605.6	33,412.5	373.2	25,955.9	9,569.3	1,455.7	807.4
Convertible bonds and debentures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	18,145.2	18,740.9	36,281.0	8,193.2	19,962.6	5,030.0	5,673.5	7,184.2
Commercial paper[2]	15,089.1	15,085.0	22,291.6	5,616.6	3,616.0	4,240.8	5,048.9	7,142.1
Of which, asset-backed	240.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, non-asset-backed	14,849.1	15,085.0	22,291.6	5,616.6	3,616.0	4,240.8	5,048.9	7,142.1
Other fixed-income issues	0.0	1,500.0	6,266.2	0.0	0.0	823.3	0.0	0.0
Preference shares	2,850.0	1,000.0	1,750.0	1,000.0	750.0	375.0	0.0	750.0
***Pro memoria*:**								
Subordinated issues	4,923.0	3,213.5	14,312.1	2,020.2	10,915.2	1,022.2	1,208.0	1,805.9
Underwritten issues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Shelf registrations.
2 The figures for commercial paper refer to the amount placed.

Issues admitted to trading on AIAF[1]

TABLE 1.7

Nominal amount in millions of euros

	2018	2019	2020	2020 III	IV	2021 I	II	III
Total	76,751.3	114,034.0	119,230.2	20,295.8	33,443.9	45,050.0	23,432.5	26,668.4
Commercial paper	15,007.0	15,036.1	22,293.8	4,264.1	4,951.4	2,902.1	6,335.2	4,763.2
Bonds and debentures	19,234.2	45,082.0	20,407.1	294.1	2,904.7	33,311.9	923.9	1,301.0
Mortgage-covered bonds	19,935.0	29,375.0	23,058.3	1,160.0	4,350.0	3,600.0	7,000.0	11,670.0
Territorial-covered bonds	800.0	3,300.0	9,150.0	4,400.0	0.0	0.0	3,500.0	0.0
Backed securities	18,925.2	18,740.9	36,281.0	9,177.5	20,487.8	4,030.0	5,673.5	8,184.2
Preference shares	2,850.0	1,000.0	1,750.0	1,000.0	750.0	375.0	0.0	750.0
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	6,290.1	0.0	0.0	831.0	0.0	0.0

1 Only corporate bonds are included.

AIAF. Issuers, issues and outstanding balance

TABLE 1.8

				2020		2021		
	2018	2019	2020	III	IV	I	II	III
NO. OF ISSUERS								
Total	353	331	321	323	321	316	310	301
Corporate bonds	320	299	289	291	289	282	276	266
Commercial paper	9	9	8	8	8	7	8	7
Bonds and debentures	45	40	41	40	41	41	39	40
Mortgage-covered bonds	40	35	29	30	29	29	29	29
Territorial-covered bonds	7	7	8	8	8	8	7	7
Backed securities	244	227	222	224	222	216	212	202
Preference shares	7	6	5	5	5	4	4	4
Matador bonds	5	5	5	5	5	5	5	4
Government bonds	33	32	32	32	32	34	34	35
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	14	13	13	13	13	13	13	13
Foreign public debt	9	10	10	10	10	12	12	13
Other public debt	8	8	8	8	8	8	8	8
NO. OF ISSUES								
Total	2,851	2,775	2,610	2,646	2,610	2,574	2,560	2,492
Corporate bonds	1,917	1,834	1,655	1,677	1,655	1,600	1,579	1,508
Commercial paper	106	84	53	49	53	26	52	36
Bonds and debentures	737	718	589	604	589	573	547	519
Mortgage-covered bonds	213	209	200	207	200	200	191	195
Territorial-covered bonds	20	23	22	22	22	22	21	21
Backed securities	828	787	777	782	777	765	754	723
Preference shares	8	8	9	8	9	9	9	10
Matador bonds	5	5	5	5	5	5	5	4
Government bonds	934	941	955	969	955	974	981	984
Letras del Tesoro	12	12	12	12	12	12	12	12
Long government bonds	243	236	231	233	231	232	230	227
Regional government debt	164	173	167	176	167	164	166	170
Foreign public debt	502	508	533	536	533	554	562	564
Other public debt	13	12	12	12	12	12	11	11
OUTSTANDING BALANCE[1] (millions of euros)								
Total	6,663,565.5	6,421,003.0	6,297,532.5	6,414,281.5	6,297,532.5	6,439,031.5	6,429,153.0	6,358,591.6
Corporate bonds	448,394.4	463,816.1	464,170.7	478,091.0	464,170.7	479,648.0	470,461.5	472,718.8
Commercial paper	9,308.7	6,423.1	4,812.4	4,675.1	4,812.4	3,245.0	4,441.2	3,915.7
Bonds and debentures	47,894.0	62,477.8	53,696.1	75,743.3	53,696.1	78,185.6	78,173.8	78,850.0
Mortgage-covered bonds	183,266.8	195,719.1	199,054.1	202,543.3	199,054.1	197,648.2	190,799.1	201,689.8
Territorial-covered bonds	18,362.3	20,762.3	18,262.3	18,512.3	18,262.3	18,262.3	19,144.0	19,144.0
Backed securities	185,002.7	172,878.9	181,341.0	170,362.2	181,341.0	175,017.1	170,613.5	161,139.6
Preference shares	4,245.0	5,240.0	6,690.0	5,940.0	6,690.0	6,975.0	6,975.0	7,725.0
Matador bonds	314.8	314.8	314.8	314.8	314.8	314.8	314.8	254.7
Government bonds	6,215,171.1	5,957,186.8	5,833,361.8	5,936,190.4	5,833,361.8	5,959,383.5	5,958,691.5	5,885,872.8
Letras del Tesoro	70,442.2	68,335.5	79,765.7	88,038.0	79,765.7	82,265.0	77,822.1	76,253.7
Long government bonds	918,000.0	937,290.9	1,026,625.5	1,067,073.6	1,026,625.5	1,059,837.2	1,085,130.1	1,096,361.5
Regional government debt	33,100.4	35,247.6	32,775.5	32,815.4	32,775.5	33,894.9	34,155.4	35,127.5
Foreign public debt	5,192,055.3	4,914,792.7	4,692,674.9	4,746,743.2	4,692,674.9	4,781,866.2	4,760,263.7	4,676,809.9
Other public debt	1,573.2	1,520.2	1,520.2	1,520.2	1,520.2	1,520.2	1,320.2	1,320.2

1 Nominal amount.

AIAF. Trading

TABLE 1.9

Nominal amount in millions of euros

				2020		2021		
	2018	2019	2020	III	IV	I	II	III
BY TYPE OF ASSET								
Total	94,241.3	158,807.2	140,509.4	25,232.4	15,868.7	21,502.7	17,534.7	5,975.1
Corporate bonds	435.4	275.2	170.2	36.4	44.5	38.9	49.1	42.8
Commercial paper	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds and debentures	427.0	260.0	169.4	36.2	44.3	38.9	49.1	42.8
Mortgage-covered bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Territorial-covered bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	7.3	13.8	0.0	0.0	0.0	0.0	0.0	0.0
Preference shares	1.2	1.4	0.8	0.2	0.2	0.0	0.0	0.0
Matador bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government bonds	93,805.8	158,532.0	140,339.2	25,196.0	15,824.2	21,463.8	17,485.6	5,932.4
Letras del Tesoro	24,766.7	25,858.4	27,975.5	5,472.2	4,276.9	2,076.0	1,755.0	1,305.0
Long government bonds	56,122.5	92,592.8	83,478.8	13,865.2	8,283.1	11,484.2	7,996.0	1,603.9
Regional government debt	3.2	35.1	0.0	0.0	0.0	0.0	0.0	0.0
Foreign public debt	12,913.5	40,027.8	28,884.9	5,858.6	3,264.3	7,903.5	7,734.6	3,023.5
Other public debt	0.0	18.0	0.0	0.0	0.0	0.0	0.0	0.0
BY TYPE OF TRANSACTION								
Total	94,241.3	158,807.2	140,509.4	25,232.4	15,868.7	21,502.7	17,534.7	5,975.1
Outright	94,241.3	158,807.2	140,509.4	25,232.4	15,868.7	21,502.7	17,534.7	5,975.1
Repos	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sell-buybacks/Buy-sellbacks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

AIAF. Third-party trading. By purchaser sector

TABLE 1.10

Nominal amount in millions of euros

				2020		2021		
	2018	2019	2020	III	IV	I	II	III
Total	92,661.9	158,792.5	140,495.9	25,230.1	15,867.2	21,492.7	17,484.3	5,949.9
Non-financial companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	92,661.9	158,792.5	140,495.9	25,230.1	15,867.2	21,492.7	17,484.3	5,949.9
Credit institutions	437.9	385.5	176.6	22.1	60.7	34.7	43.3	169.4
CIS, insurance and pension funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial institutions	92,224.0	158,407.0	140,319.3	25,208.0	15,806.5	21,458.0	17,441.1	5,780.5
General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Households and NPISHs[1]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rest of the world	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Non-Profit Institutions Serving Households.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.11

				2020		2021		
	2018	2019	2020	III	IV	I	II	III
NO. OF ISSUERS								
Total	14	13	11	12	11	11	10	10
Private issuers	6	5	4	5	4	4	4	4
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	6	5	4	5	4	4	4	4
General government[1]	8	8	7	7	7	7	6	6
Regional governments	2	2	2	2	2	2	2	2
NO. OF ISSUES								
Total	58	54	44	50	44	53	49	48
Private issuers	19	16	11	16	11	11	11	11
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	19	16	11	16	11	11	11	11
General government[1]	39	38	33	34	33	42	38	37
Regional governments	21	20	18	18	18	27	26	26
OUTSTANDING BALANCES[2] (millions of euros)								
Total	8,268.3	7,340.4	6,158.4	6,227.9	6,158.4	8,830.8	8,412.5	8,413.9
Private issuers	589.8	481.1	366.3	435.6	366.3	353.6	341.7	330.5
Non-financial companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	589.8	481.1	366.3	435.6	366.3	353.6	341.7	330.5
General government[1]	7,678.5	6,859.2	5,792.2	5,792.3	5,792.2	8,477.2	8,070.7	8,083.4
Regional governments	6,959.7	6,260.7	5,179.3	5,179.3	5,179.3	7,862.8	7,549.3	7,549.3

1 Without public book-entry debt.
2 Nominal amount.

SENAF. Public debt trading by type

TABLE 1.12

Nominal amounts in millions of euros

				2020		2021		
	2018	2019	2020	III	IV	I	II	III
Total	96,708.0	150,634.0	120,706.0	24,130.0	37,404.0	45,061.0	44,715.0	48,400.0
Outright	96,708.0	150,634.0	120,706.0	24,130.0	37,404.0	45,061.0	44,715.0	48,400.0
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

1.3 Derivatives and other products

1.3.1 Financial derivative markets: MEFF

Trading on MEFF TABLE 1.13

Number of contracts

				2020		2021		
	2018	2019	2020	III	IV	I	II	III
Debt products	0	0	0	0	0	0	0	0
Debt futures[1]	0	0	0	0	0	0	0	0
Ibex 35 products[2, 3]	6,983,287	6,625,993	6,395,357	1,427,735	1,506,481	1,364,908	1,329,170	1,430,095
Ibex 35 plus futures	6,342,478	5,965,905	5,905,782	1,328,472	1,353,344	1,274,216	1,264,040	1,377,802
Ibex 35 mini futures	149,023	145,489	154,351	30,218	31,363	26,918	21,783	21,059
Ibex 35 micro futures		0	0	0	0	0	0	0
Ibex 35 dividend impact futures	70,725	144,831	91,571	24,922	48,302	15,289	11,150	3,793
Ibex 35 sector futures	2,745	6	0	0	0	0	0	0
Call mini options	193,480	177,369	104,132	12,461	36,792	29,481	17,834	12,332
Put mini options	224,835	192,393	139,521	31,662	36,680	19,003	14,364	15,109
Stock products[4]	31,412,879	32,841,027	30,313,892	4,226,165	8,705,936	7,155,442	6,423,846	6,083,100
Futures	10,703,192	15,298,027	10,968,411	875,676	2,998,200	3,153,650	3,318,301	3,410,227
Stock dividend futures	471,614	758,700	130,055	7,800	56,015	0	0	400
Stock plus dividend futures	200	0	7,752	612	3,876	3,956	3,956	8,729
Call options	7,761,974	7,405,619	8,564,019	1,880,966	2,073,062	1,989,957	1,444,525	1,066,620
Put options	12,475,899	9,378,681	10,643,655	1,461,111	3,574,783	2,007,879	1,657,064	1,597,124

1 Contract size: €100,000.
2 The number of Ibex 35 mini futures (multiples of €1) and micro futures (multiples of €0.1) was standardised to the size of the Ibex 35 plus futures (multiples of €10).
3 Contract size: Ibex 35, €10.
4 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

				2020		2021		
	2018	2019	2020	III	IV	I	II	III
WARRANTS								
Premium amount (millions of euros)	2,084.9	1,837.7	1,167.7	0.6	494.4	585.3	550.2	496.7
On stocks	819.0	901.4	445.7	0.0	171.6	200.3	220.4	169.3
On indexes	1,160.5	809.3	674.0	0.6	299.8	343.7	309.6	315.8
Other underlyings[1]	105.5	127.1	48.1	0.0	22.9	41.3	20.2	11.6
Number of issues	5,231	5,496	3,081	1	1,008	1,264	1,301	1,006
Number of issuers	5	6	5	1	3	3	2	2
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (millions of euros)	953.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On stocks	950.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On indexes	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other underlyings[1]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of issues	11	0	0	0	0	0	0	0
Number of issuers	2	0	0	0	0	0	0	0

1 It includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.

Equity markets. Warrants and ETF trading

TABLE 1.15

				2020		2021		
	2018	2019	2020	III	IV	I	II	III[1]
WARRANTS								
Trading (millions of euros)	435.2	291.6	319.7	71.3	80.0	74.9	71.4	66.5
On Spanish stocks	93.3	81.1	121.1	29.7	42.6	43.9	36.2	20.4
On foreign stocks	31.6	19.7	26.0	5.3	4.6	4.9	4.0	3.8
On indexes	305.5	186.6	161.7	34.7	29.1	24.2	30.5	41.4
Other underlyings[2]	4.8	3.7	10.9	1.6	3.6	1.9	0.7	0.9
Number of issues[3]	3,986	3,605	3,785	805	811	878	811	781
Number of issuers[3]	7	8	7	6	4	4	4	4
CERTIFICATES								
Trading (millions of euros)	0.3	0.3	0.2	0.0	0.0	0.0	0.0	0.0
Number of issues[3]	2	2	1	1	1	1	0	0
Number of issuers[3]	1	1	1	1	1	1	0	0
ETFs								
Trading (millions of euros)	3,027.6	1,718.8	2,548.1	436.0	621.6	400.5	345.3	404.5
Number of funds	6	6	5	5	5	5	5	5
Assets[4] (millions of euros)	288.9	229.2	241.5	206.6	241.4	259.4	270.8	271.7

1 Data at the end of the quarter, except ETF assets, which refer to 31 August.
2 It 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

	2018	2019	2020	2020 III	IV	2021 I	II	III
BROKER-DEALERS								
Spanish firms	39	39	38	38	38	36	34	33
Branches in Spain	25	19	14	14	14	14	13	13
Agents operating in Spain	2,027	1,944	1,407	1,385	1,407	1,367	1,344	1,336
Branches in EEA[1]	9	9	8	9	8	8	7	4
Firms providing services in EEA[1]	24	25	25	25	25	23	21	20
Passports to operate in EEA[1, 2]	172	205	205	205	205	175	170	153
BROKERS								
Spanish firms	52	56	57	57	57	60	58	59
Branches in Spain	21	23	24	23	24	24	22	22
Agents operating in Spain	414	361	353	356	353	331	339	375
Branches in EEA[1]	2	1	0	0	0	0	0	4
Firms providing services in EEA[1]	25	24	30	28	30	32	29	30
Passports to operate in EEA[1, 2]	150	144	205	153	205	213	196	198
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	1	1	1	1	1	1	1	1
FINANCIAL ADVISORY FIRMS								
Spanish firms	158	140	140	139	140	139	142	141
Branches in Spain	21	22	23	23	23	21	21	21
Branches in EEA[1]	2	2	2	2	2	1	1	1
Firms providing services in EEA[1]	29	29	27	28	27	27	28	27
Passports to operate in EEA[1, 2]	51	51	47	50	47	49	55	54
CREDIT INSTITUTIONS[3]								
Spanish firms	114	112	110	111	110	110	110	110

1 EEA: European Economic Area.
2 Number of passports to provide services in the EEA. The same entity may provide investment services in one or more Member States.
3 Source: Banco de España [Bank of Spain] and CNMV.

Investment services. Foreign firms

TABLE 2.2

	2018	2019	2020	2020 III	IV	2021 I	II	III
Total	3,474	3,567	3,617	3,607	3,617	1,333	1,345	1,364
Investment services firms	3,002	3,088	3,131	3,123	3,131	927	937	951
From EU Member states	2,999	3,085	3,128	3,120	3,128	922	932	946
Branches	61	65	66	69	66	41	41	42
Free provision of services	2,938	3,020	3,062	3,051	3,062	881	891	904
From non-EU States	3	3	3	3	3	5	5	5
Branches	0	0	0	0	0	2	2	2
Free provision of services	3	3	3	3	3	3	3	3
Credit institutions[1]	472	479	486	484	486	406	408	413
From EU Member states	466	473	480	478	480	401	403	408
Branches	53	54	50	52	50	51	50	52
Free provision of services	413	419	430	426	430	350	353	356
Subsidiaries of free provision of services institutions	0	0	0	0	0	0	0	0
From non-EU States	6	6	6	6	6	5	5	5
Branches	3	3	4	4	4	3	3	3
Free provision of services	3	3	2	2	2	2	2	2

1 Source: Banco de España [Bank of Spain] and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

Millions of euros

				2020			2021	
	2018	2019	2020	II	III	IV	I	II
FIXED INCOME								
Total	3,082,789.5	3,222,363.2	3,782,640.8	1,117,312.0	812,220.5	744,236.9	883,875.4	757,396.9
Broker-dealers	2,184,921.9	2,263,416.4	3,345,439.9	1,114,160.4	809,770.1	741,972.5	880,812.8	755,486.3
Spanish organised markets	855,948.9	909,992.9	1,261,885.8	241,184.6	335,918.7	414,745.3	415,199.3	338,861.7
Other Spanish markets	1,111,231.9	1,012,359.1	1,721,922.5	767,902.7	386,420.7	246,211.8	309,058.9	280,240.9
Foreign markets	217,741.1	341,064.4	361,631.6	105,073.1	87,430.7	81,015.4	156,554.6	136,383.7
Brokers	897,867.6	958,946.8	437,200.9	3,151.6	2,450.4	2,264.4	3,062.6	1,910.6
Spanish organised markets	6,237.8	17,314.9	1,229.4	95.6	63.8	157.1	313.0	217.0
Other Spanish markets	702,731.7	803,742.9	405,199.7	6.7	15.5	16.6	17.5	19.5
Foreign markets	188,898.1	137,889.0	30,771.8	3,049.3	2,371.1	2,090.7	2,732.1	1,674.1
EQUITY								
Total	630,896.1	1,213,388.9	1,816,691.4	481,027.4	399,610.5	423,633.8	587,035.0	438,252.0
Broker-dealers	600,442.4	1,194,473.3	1,793,180.4	476,513.5	395,365.0	417,973.8	581,477.9	432,767.3
Spanish organised markets	525,648.7	329,666.8	261,188.7	70,683.0	61,868.9	38,336.4	35,850.3	22,207.0
Other Spanish markets	839.1	1,771.0	5,938.7	1,138.4	1,358.8	1,791.1	3,232.7	1,774.8
Foreign markets	73,954.6	863,035.5	1,526,053.0	404,692.1	332,137.3	377,846.3	542,394.9	408,785.5
Brokers	30,453.7	18,915.6	23,511.0	4,513.9	4,245.5	5,660.0	5,557.1	5,484.7
Spanish organised markets	6,462.5	7,712.5	7,137.8	1,627.2	1,157.4	1,843.1	1,752.1	1,734.4
Other Spanish markets	1,328.5	1,006.8	1,094.9	174.8	204.5	261.6	298.9	498.5
Foreign markets	22,662.7	10,196.3	15,278.3	2,711.9	2,883.6	3,555.3	3,506.1	3,251.8

1 Period accumulated data. Quarterly.

Intermediation of derivative transactions[1, 2]

TABLE 2.4

Millions of euros

				2020			2021	
	2018	2019	2020	II	III	IV	I	II
Total	10,308,915.0	10,807,586.8	11,557,923.7	2,333,005.1	2,778,782.7	3,798,892.3	2,662,237.6	2,441,759.7
Broker-dealers	10,065,090.4	10,523,995.1	11,261,186.5	2,312,414.3	2,737,831.0	3,710,600.1	2,578,484.5	2,410,453.9
Spanish organised markets	5,457,270.1	5,058,147.9	3,839,450.0	657,784.1	1,028,024.7	1,028,274.7	1,008,973.3	1,147,718.4
Foreign organised markets	3,927,718.5	4,160,941.8	5,884,599.5	1,349,458.4	1,432,002.8	2,074,662.4	1,153,439.5	997,145.4
Non-organised markets	680,101.8	1,304,905.4	1,537,137.0	305,171.8	277,803.5	607,663.0	416,071.7	265,590.1
Brokers	243,824.6	283,591.7	296,737.2	20,590.8	40,951.7	88,292.2	83,753.1	31,305.8
Spanish organised markets	30,836.1	29,601.4	12,975.9	2,201.8	2,770.0	3,903.5	3,781.9	2,340.5
Foreign organised markets	105,915.8	116,038.0	195,686.4	16,425.1	37,982.9	81,723.0	79,914.9	27,800.9
Non-organised markets	107,072.7	137,952.3	88,074.9	1,963.9	198.8	2,665.7	56.3	1,164.4

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 applies. The amount of the transactions on options will be the strike price of the underlying asset multiplied by the number of instruments committed.
2 Period accumulated data. Quarterly.

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

TABLE 2.5

	2018	2019	2020	2020 II	III	IV	2021 I	II
NUMBER OF PORTFOLIOS								
Total[2]	16,172	25,389	44,983	38,359	41,911	44,983	53,783	65,053
Broker-dealers. Total	3,807	3,219	3,585	3,291	3,491	3,585	4,265	8,968
CIS[3]	37	40	42	40	35	42	40	40
Other[4]	3,770	3,179	3,543	3,251	3,456	3,543	4,225	8,928
Brokers. Total	12,364	22,169	41,397	35,068	38,420	41,397	49,518	56,085
CIS[3]	83	79	82	81	81	82	69	66
Other[4]	12,281	22,090	41,315	34,987	38,339	41,315	49,449	56,019
Portfolio management companies.[2] Total	1	1	1	–	–	1	–	–
CIS[3]	1	1	1	–	–	1	–	–
Other[4]	0	0	0	–	–	0	–	–
ASSETS UNDER MANAGEMENT (thousands of euros)								
Total[2]	4,854,719	4,946,670	6,119,284	5,322,476	5,607,558	6,119,284	6,132,979	6,776,795
Broker-dealers. Total	2,216,956	2,266,997	2,687,786	2,419,320	2,527,115	2,687,786	2,146,038	2,393,001
CIS[3]	838,379	1,059,718	1,280,966	1,061,277	1,091,841	1,280,966	590,333	586,695
Other[4]	1,378,577	1,207,279	1,406,820	1,358,043	1,435,274	1,406,820	1,555,705	1,806,306
Brokers. Total	2,619,297	2,658,674	3,410,772	2,903,156	3,080,443	3,410,772	3,986,941	4,383,794
CIS[3]	1,295,580	1,346,615	1,256,276	1,135,309	1,024,130	1,256,276	1,063,010	1,081,072
Other[4]	1,323,717	1,312,059	2,154,496	1,767,847	2,056,313	2,154,496	2,923,931	3,302,722
Portfolio management companies.[2] Total	18,466	20,999	20,726	–	–	20,726	–	–
CIS[3]	18,466	20,999	20,726	–	–	20,726	–	–
Other[4]	0	0	0	–	–	0	–	–

1 Data at the end of period. Quarterly.
2 Only public information about portfolio management companies is shown with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods, only data on broker-dealers and brokers are shown.
3 It includes both resident and non-resident CIS management.
4 It 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

	2018	2019	2020	2020 II	III	IV	2021 I	II
NUMBER OF CONTRACTS								
Total[3]	23,149	26,561	31,169	30,262	30,732	31,169	30,765	31,626
Broker-dealers. Total	5,241	6,163	8,721	8,474	8,553	8,721	9,126	9,349
Retail clients	5,211	6,115	8,670	8,424	8,500	8,670	9,074	9,297
Professional clients	21	31	45	44	47	45	46	46
Eligible counterparties	9	17	6	6	6	6	6	6
Brokers. Total	17,908	20,398	22,448	21,788	22,179	22,448	21,639	22,277
Retail clients	17,654	20,125	22,128	21,498	21,878	22,128	21,390	22,034
Professional clients	199	229	282	249	258	282	207	201
Eligible counterparties	55	44	38	41	43	38	42	42
Portfolio management companies.[3] Total	0	0	0	–	–	0	–	–
Retail clients	0	0	0	–	–	0	–	–
Professional clients	0	0	0	–	–	0	–	–
Eligible counterparties	0	0	0	–	–	0	–	–
***Pro memoria*: commission received for financial advice[4]** (thousands of euros)								
Total[3]	35,287	37,583	39,803	13,757	21,650	39,803	7,270	12,672
Broker-dealers	9,562	23,400	5,813	2,809	4,098	5,813	1,267	2,764
Brokers	25,725	14,183	33,990	10,948	17,552	33,990	6,003	9,908
Portfolio management companies[4]	0	0	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 is shown with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods, only data on broker-dealers and brokers are shown.
4 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed during the year.

Aggregated income statement. Broker-dealers

TABLE 2.7

Thousands of euros[1]

				2020		2021		
	2018	2019	2020	III	IV	I	II	III[2]
I. Interest income	73,969	38,125	35,957	24,500	35,957	-856	9,586	21,821
II Net commission	296,037	279,650	310,868	217,674	310,868	97,775	177,191	190,404
Commission revenues	414,595	427,813	525,812	375,890	525,812	158,537	320,279	361,878
Brokering	160,320	164,606	254,307	186,917	254,307	67,188	124,513	138,542
Placement and underwriting	11,090	8,849	5,279	2,022	5,279	26,843	70,129	75,252
Securities deposit and recording	42,958	42,643	39,260	29,832	39,260	9,107	18,384	21,405
Portfolio management	13,505	15,102	13,128	8,463	13,128	3,281	6,577	7,601
Design and advice	21,135	34,751	16,282	12,178	16,282	3,503	8,257	10,177
Stock search and placement	543	1,302	1,960	591	1,960	572	1,497	3,079
Market credit transactions	0	0	0	0	0	0	0	0
CIS marketing	55,483	53,506	50,985	37,102	50,985	14,902	30,969	36,406
Other	109,561	107,055	144,611	98,786	144,611	33,140	59,954	69,416
Commission expenses	118,558	148,163	214,944	158,216	214,944	60,762	143,088	171,474
III. Financial investment income	27,088	29,452	97,113	81,645	97,113	7,818	23,639	25,118
IV. Net exchange differences and other operating products and expenses	16,614	29,066	91,278	62,949	91,278	13,273	30,168	33,843
V. Gross income	413,708	376,293	535,216	386,768	535,216	118,010	240,585	271,186
VI. Operating income	85,837	55,978	124,993	118,562	124,993	28,472	67,511	66,629
VII. Earnings from continuous activities	91,771	54,528	102,928	108,852	102,928	35,277	67,780	70,229
VIII. Net earnings from the period	91,771	54,528	102,928	108,852	102,928	35,277	67,780	70,229

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed during the year.
2 Available data: July 2021.

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousands of euros[1]

	2018	2019	2020	2020 II	III	IV	2021 I	II
TOTAL								
Total	114,751	101,039	221,894	132,428	169,792	221,894	20,128	61,827
Money market assets and public debt	11,193	2,625	23,229	20,266	20,480	23,229	72	3,870
Other fixed-income securities	11,842	27,811	18,457	2,073	7,299	18,457	6,338	11,010
Domestic portfolio	8,304	13,186	11,796	8,133	9,259	11,796	1,835	2,101
Foreign portfolio	3,538	14,625	6,661	-6,060	-1,960	6,661	4,503	8,909
Equities	10,844	8,009	21,860	24,095	23,890	21,860	1,458	5,920
Domestic portfolio	9,901	7,006	22,859	24,344	24,124	22,859	767	3,847
Foreign portfolio	943	1,003	-999	-249	-234	-999	691	2,073
Derivatives	-1,167	-3,873	28,367	20,341	20,882	28,367	3,713	-18,759
Repurchase agreements	-107	-3,492	-6,851	-3,106	-4,883	-6,851	-2,234	-4,281
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial intermediaries	3,884	1,084	-6,207	-2,766	-4,582	-6,207	606	202
Net exchange differences	283	118	-981	-340	-563	-981	284	281
Other operating products and expenses	16,330	28,949	92,259	43,893	63,512	92,259	12,990	29,888
Other transactions	61,649	39,808	51,761	27,972	43,757	51,761	-3,099	33,696
INTEREST INCOME								
Total	73,968	38,127	35,957	12,589	24,501	35,957	-854	9,585
Money market assets and public debt	2,036	1,027	922	302	441	922	173	469
Other fixed-income securities	1,300	3,319	1,347	832	1,051	1,347	417	633
Domestic portfolio	124	734	556	409	479	556	70	152
Foreign portfolio	1,176	2,585	791	423	572	791	347	481
Equities	3,673	2,767	962	827	927	962	194	513
Domestic portfolio	2,892	2,456	766	657	709	766	121	263
Foreign portfolio	781	311	196	170	218	196	73	250
Repurchase agreements	-107	-3,492	-6,851	-3,106	-4,883	-6,851	-2,234	-4,281
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial intermediaries	3,884	1,084	-6,207	-2,766	-4,582	-6,207	606	202
Other transactions	63,182	33,422	45,784	16,500	31,547	45,784	-10	12,049
FINANCIAL INVESTMENT INCOME								
Total	27,088	29,451	97,113	76,358	81,647	97,113	7,820	23,638
Money market assets and public debt	9,157	1,598	22,307	19,964	20,039	22,307	-101	3,401
Other fixed-income securities	10,542	24,492	17,110	1,241	6,248	17,110	5,921	10,377
Domestic portfolio	8,180	12,452	11,240	7,724	8,780	11,240	1,765	1,949
Foreign portfolio	2,362	12,040	5,870	-6,483	-2,532	5,870	4,156	8,428
Equities	7,171	5,242	20,898	23,268	22,963	20,898	1,264	5,407
Domestic portfolio	7,009	4,550	22,093	23,687	23,415	22,093	646	3,584
Foreign portfolio	162	692	-1,195	-419	-452	-1,195	618	1,823
Derivatives	-1,167	-3,873	28,367	20,341	20,882	28,367	3,713	-18,759
Other transactions	1,385	1,992	8,431	11,544	11,515	8,431	-2,977	23,212
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	13,695	33,461	88,824	43,481	63,644	88,824	13,162	28,604
Net exchange differences	283	118	-981	-340	-563	-981	284	281
Other operating products and expenses	16,330	28,949	92,259	43,893	63,512	92,259	12,990	29,888
Other transactions	-2,918	4,394	-2,454	-72	695	-2,454	-112	-1,565

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

Aggregated income statement. Brokers

TABLE 2.9

Thousands of euros[1]

				2020		2021		
	2018	2019	2020	III	IV	I	II	III[2]
I. Interest income	1,583	1,252	932	601	932	111	75	164
II. Net commission	135,782	130,293	143,162	94,756	143,162	40,147	76,041	89,946
Commission revenues	156,624	150,842	165,094	111,082	165,094	45,864	87,169	103,214
Brokering	20,018	23,194	22,035	17,508	22,035	4,708	8,087	8,925
Placement and underwriting	1,120	580	2,157	1,198	2,157	137	601	634
Securities deposit and recording	824	879	754	618	754	150	286	309
Portfolio management	15,412	14,890	14,554	10,239	14,554	4,572	9,371	11,151
Design and advice	26,446	14,426	34,128	17,641	34,128	6,072	10,079	11,374
Stock search and placement	0	0	0	0	0	0	418	562
Market credit transactions	0	0	0	0	0	0	0	0
CIS marketing	63,821	62,866	62,134	44,738	62,134	20,157	42,114	49,220
Other	28,983	34,008	29,331	19,137	29,331	10,067	16,216	21,040
Commission expenses	20,842	20,549	21,932	16,326	21,932	5,717	11,128	13,268
III. Financial investment income	-51	910	-5,562	-6,239	-5,562	130	464	558
IV. Net exchange differences and other operating products and expenses	-279	1,194	-968	-864	-968	-1,180	-1,872	-1,853
V. Gross income	137,035	133,648	137,564	88,254	137,564	39,208	74,708	88,815
VI. Operating income	12,031	9,284	3,339	-1,018	3,339	10,132	15,169	18,083
VII. Earnings from continuous activities	7,459	6,163	2,836	630	2,836	9,663	13,675	16,442
VIII. Net earnings of the period	7,459	6,163	2,836	630	2,836	9,663	13,675	16,442

1 Accumulated data from the beginning of the year to the last day of every quarter. It includes companies removed during the year.
2 Available data: July 2021.

Aggregated income statement. Portfolio management companies[1]

TABLE 2.10

Thousands of euros[2]

	2016	2017	2018	2019	2020
I. Interest income	83	23	6	5	1
II. Net commission	6,617	1,543	350	404	376
Commission revenues	6,617	1,543	350	404	376
Portfolio management	4,228	1,095	350	404	376
Design and advice	354	59	0	0	0
Other	2,035	390	0	0	0
Commission expenses	0	0	0	0	0
III. Financial investment income	-1	6	-25	13	-25
IV. Net exchange differences and other operating products and expenses	-126	-52	-20	-20	-20
V. Gross income	6,573	1,520	311	402	332
VI. Operating income	3,172	623	-2	52	-16
VII. Earnings from continuous activities	2,222	439	-2	37	-16
VIII. Net earnings of the period	2,222	439	-2	37	-16

1 Only public information about portfolio management companies is shown with the aim 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 during the year.

Capital adequacy and capital ratio[1]

TABLE 2.11

				2020			2021	
	2018	2019	2020	II	III	IV	I	II[2]
TOTAL[3]								
Total capital ratio[4]	42.36	46.92	30.21	38.13	35.49	30.21	25.07	–
Own fund surplus (thousands of euros)	915,383	1,165,707	1,026,935	1,140,625	1,117,882	1,026,935	945,629	–
Surplus (%)[5]	429.49	486.52	277.59	376.61	343.63	277.59	213.41	–
No. of companies according to surplus percentage								
≤ 100%	20	23	26	26	23	26	29	–
> 100-≤ 300%	29	31	30	26	29	30	22	–
> 300-≤ 500%	10	10	12	10	11	12	11	–
> 500%	15	13	10	14	14	10	13	–
BROKER-DEALERS								
Total capital ratio[4]	45.16	49.63	30.81	39.90	36.83	30.81	25.10	–
Own fund surplus (thousands of euros)	874,235	1,118,273	960,720	1,076,361	1,052,796	960,720	876,847	–
Surplus (%)[5]	464.51	520.42	285.14	398.73	360.35	285.14	213.73	–
No. of companies according to surplus percentage								
≤ 100%	7	7	9	8	8	9	9	–
> 100-≤ 300%	10	14	11	13	13	11	11	–
> 300-≤ 500%	7	4	8	4	4	8	6	–
> 500%	14	11	8	12	12	8	8	–
BROKERS								
Total capital ratio[4]	21.17	23.34	24.06	23.62	23.71	24.06	24.76	–
Own fund surplus (thousands of euros)	40,952	47,249	66,051	64,264	65,086	66,051	68,782	–
Surplus (%)[5]	164.84	191.77	200.79	195.24	196.32	200.79	209.47	–
No. of companies according to surplus percentage								
≤ 100%	13	16	17	18	15	17	20	–
> 100-≤ 300%	18	16	18	13	16	18	11	–
> 300-≤ 500%	3	6	4	6	7	4	5	–
> 500%	1	2	2	2	2	2	5	–
PORTFOLIO MANAGEMENT COMPANIES[3]								
Total capital ratio[4]	29.68	25.72	22.15	–	–	22.15	–	–
Own fund surplus (thousands of euros)	196	185	164	–	–	164	–	–
Surplus (%)[5]	272.22	221.50	176.82	–	–	176.82	–	–
No. of companies according to surplus percentage								
≤ 100%	0	0	0	–	–	0	–	–
> 100-≤ 300%	1	1	1	–	–	1	–	–
> 300-≤ 500%	0	0	0	–	–	0	–	–
> 500%	0	0	0	–	–	0	–	–

1 This table only includes the entities subject to reporting requirements according to 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.
2 No available data from II-2021onwards, due to regulatory changes made by Regulation (EU) 2019/2033 of the European Parliament and of the Council, of 27 November 2019, on the prudential requirements of investment firms; and Directive (EU) 2019/2034 of the European Parliament and of the Council, of 27 November 2019, on the prudential supervision of investment firms.
3 Only public information about portfolio management companies is shown with the aim of maintaining statistical secrecy, as the number of companies is not enough to guarantee this. For the rest of the periods, only data on broker-dealers and brokers are shown.
4 Total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount. This ratio should not be under 8%, pursuant to the provisions of Regulation.
5 Average surplus percentage is weighted by the required equity of each company. It is an indicator of the number of times, in percentage terms, that the surplus contains the required equity in an average company.

Return on equity (ROE) before taxes[1]

TABLE 2.12

	2018	2019	2020	2020 II	2020 III	2020 IV	2021 I	2021 II
TOTAL[2]								
Average (%)[3]	12.27	9.23	18.71	25.53	19.58	18.71	13.09	20.95
Number of companies according to annualised return								
Losses	40	32	33	39	42	33	31	30
0-≤ 15%	22	22	15	10	10	15	18	19
> 15-≤ 45%	10	19	20	15	18	20	12	13
> 45-≤ 75%	6	7	9	8	6	9	13	12
> 75%	14	12	15	19	17	15	17	17
BROKER-DEALERS								
Average (%)[3]	12.16	8.87	19.72	27.89	21.16	19.72	9.44	19.74
Number of companies according to annualised return								
Losses	18	13	12	15	20	12	15	10
0-≤ 15%	12	13	6	6	2	6	8	10
> 15-≤ 45%	5	7	9	7	9	9	6	8
> 45-≤ 75%	2	1	6	6	2	6	3	4
> 75%	2	2	2	3	4	2	2	1
BROKERS								
Average (%)[3]	13.24	12.05	12.48	9.77	9.37	12.48	35.76	28.08
Number of companies according to annualised return								
Losses	21	19	20	24	22	20	16	20
0-≤ 15%	10	9	9	4	8	9	10	9
> 15-≤ 45%	5	11	11	8	9	11	6	5
> 45-≤ 75%	4	6	3	2	4	3	10	8
> 75%	12	10	13	16	13	13	15	16
PORTFOLIO MANAGEMENT COMPANIES[2]								
Average (%)[3]	-0.84	19.74	-6.51	–	–	-6.51	–	–
Number of companies according to annualised return								
Losses	1	0	1	–	–	1	–	–
0-≤ 15%	0	0	0	–	–	0	–	–
> 15-≤ 45%	0	1	0	–	–	0	–	–
> 45-≤ 75%	0	0	0	–	–	0	–	–
> 75%	0	0	0	–	–	0	–	–

1 ROE has been calculated as:

$$ROE = \frac{Earnings\_before\_taxes\_(annualized)}{Own\_funds}$$

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

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

3 Average weighted by equity, %.

Financial advisory firms. Main figures[1]

TABLE 2.13

Thousands of euros

	2016	2017	2018	2019	2020
ASSETS UNDER ADVICE[2]					
Total	30,174,877	30,790,535	31,658,460	21,627,677	12,049,182
Retail clients	7,588,143	9,096,071	10,281,573	8,313,608	6,797,540
Rest of clients and entities	22,586,734	21,694,464	21,376,887	13,314,069	5,251,642
Professional	5,654,358	6,482,283	7,052,031	–	–
Other	16,932,376	15,212,181	14,324,856	–	–
COMMISSION INCOME[3]					
Total	52,534	65,802	62,168	56,963	45,293
Commission revenues	51,687	65,191	61,079	56,029	44,656
Other income	847	611	1,088	934	637
EQUITY					
Total	24,119	32,803	33,572	32,089	30,607
Share capital	6,834	8,039	6,894	5,770	5,454
Reserves and retained earnings	12,123	13,317	15,386	17,260	19,111
Income for the year[3]	7,511	11,361	10,626	8,172	5,118
Other own funds	-2,349	86	666	888	923

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

2 Data at the end of each period. Since 2019, due to the entry into force of CNMV Circular 4/2018, there is no disaggregated information of non-retail clients.

3 Accumulated data from the beginning of the year.

3 Collective Investment Schemes (CIS)[a]

Number, management companies and depositories of CIS registered at the CNMV

TABLE 3.1

				2020		2021		
	2018	2019	2020	III	IV	I	II	III[1]
Total financial CIS	4,386	4,233	4,018	4,092	4,018	3,970	3,901	3,876
Mutual funds	1,617	1,595	1,515	1,534	1,515	1,506	1,487	1,474
Investment companies	2,713	2,569	2,427	2,484	2,427	2,383	2,334	2,321
Funds of hedge funds	7	7	7	7	7	8	9	9
Hedge funds	49	62	69	67	69	73	71	72
Total real estate CIS	7	5	5	5	5	4	4	4
Real estate mutual funds	3	2	2	2	2	2	2	2
Real estate investment companies	4	3	3	3	3	2	2	2
Total foreign CIS marketed in Spain	1,024	1,033	1,048	1,042	1,048	1,046	1,058	1,066
Foreign funds marketed in Spain	429	399	407	404	407	421	423	424
Foreign companies marketed in Spain	595	634	641	638	641	625	635	642
Management companies	119	123	123	125	123	122	125	124
CIS depositories	37	36	35	36	35	35	34	34

1 Available data: August 2021.

Number of CIS investors and shareholders

TABLE 3.2

				2020		2021		
	2018	2019	2020	III	IV	I	II	III[1]
Total financial CIS[2]	11,627,118	12,132,581	13,015,104	12,613,450	13,015,104	13,932,921	14,666,536	14,931,842
Mutual funds	11,213,482	11,734,029	12,654,439	12,232,861	12,654,439	13,581,009	14,319,397	14,585,585
Investment companies	413,636	398,552	360,665	380,589	360,665	351,912	347,139	346,257
Total real estate CIS[2]	905	799	798	795	798	690	688	690
Real estate mutual funds	483	483	483	483	483	483	483	482
Real estate investment companies	422	316	315	312	315	207	205	208
Total foreign CIS marketed in Spain[3]	3,172,682	3,361,901	4,312,340	3,939,998	4,312,340	4,865,192	5,231,449	–
Foreign funds marketed in Spain	547,517	521,648	592,053	568,132	592,053	635,555	697,470	–
Foreign companies marketed in Spain	2,625,165	2,840,253	3,720,287	3,371,866	3,720,287	4,229,637	4,533,979	–

1 Available data: July 2021.
2 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 may be different from those in Tables 3.6 and 3.7.
3 Only data on UCITS are included. From the I-2018 onwards, data are estimated.

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

CIS total net assets

TABLE 3.3

Millions of euros

				2020		2021		
	2018	2019	2020	III	IV	I	II	III[1]
Total financial CIS	286,930.9	308,170.1	306,654.5	293,159.3	306,654.5	320,524.3	337,338.4	340,858.6
Mutual funds[2]	259,095.0	279,377.4	279,694.5	267,084.6	279,694.5	292,865.2	309,047.2	312,669.1
Investment companies	27,835.9	28,792.7	26,960.0	26,074.7	26,960.0	27,659.1	28,291.2	28,189.5
Total real estate CIS	1,058.2	1,072.9	1,218.0	1,210.2	1,218.0	1,201.0	1,201.3	1,203.6
Real estate mutual funds	309.4	309.4	310.8	310.6	310.8	311.0	311.1	311
Real estate investment companies	748.8	763.5	907.1	899.5	907.1	890.0	890.2	892.6
Total foreign CIS marketed in Spain[3]	162,701.9	178,841.5	199,419.3	190,324.3	199,419.3	219,851.3	249,927.6	–
Foreign funds marketed in Spain	34,237.1	30,843.4	27,355.5	26,815.7	27,355.5	27,861.7	32,797.0	–
Foreign companies marketed in Spain	128,464.9	147,998.1	172,063.8	163,508.6	172,063.8	191,989.7	217,130.6	–

1 Available data: July 2021.
2 Mutual funds investment in financial mutual funds of the same management company reached €8,712.4 million in June 2021.
3 Only data on UCITS are included. From I-2018 onwards, data are estimated.

Asset allocation of mutual funds

TABLE 3.4

Millions of euros

				2020			2021	
	2018	2019	2020	II	III	IV	I	II
Asset	259,095.0	279,377.4	279,694.5	263,619.4	267,084.6	279,694.5	292,865.2	309,047.2
Portfolio investment	241,016.2	256,750.7	256,257.2	240,056.3	244,025.4	256,257.2	268,778.4	282,168.2
Domestic securities	74,486.1	66,520.4	54,587.8	55,564.9	53,561.9	54,587.8	54,198.1	55,270.4
Debt securities	50,537.5	44,637.7	38,394.5	39,528.1	38,418.7	38,394.5	37,044.9	34,519.9
Shares	10,868.4	9,047.9	6,185.3	5,810.0	5,283.9	6,185.3	6,584.2	6,863.3
Collective investment schemes	6,984.9	8,581.9	8,511.0	8,019.8	8,081.5	8,511.0	8,994.8	12,322.3
Deposits in credit institutions	5,854.8	4,004.8	1,341.5	2,067.2	1,645.0	1,341.5	1,370.0	1,364.6
Derivatives	235.4	243.2	140.9	126.9	120.7	140.9	190.3	177.1
Other	5.2	4.9	14.6	12.8	12.1	14.6	13.9	23.3
Foreign securities	166,522.5	190,224.5	201,664.8	184,486.8	190,459.0	201,664.8	214,574.7	226,894.2
Debt securities	74,079.1	83,817.5	86,151.5	83,963.6	86,819.1	86,151.5	89,938.7	92,596.8
Shares	26,660.8	33,115.9	33,886.1	29,738.0	30,293.6	33,886.1	36,866.7	41,191.2
Collective investment schemes	65,624.3	73,054.4	81,358.2	70,616.8	73,159.4	81,358.2	87,482.1	92,971.0
Deposits in credit institutions	21.1	4.5	0.1	11.1	9.7	0.1	0.0	0.0
Derivatives	136.0	231.3	268.0	156.4	176.4	268.0	286.4	121.4
Other	1.2	0.9	0.8	0.9	0.9	0.8	0.8	13.9
Doubtful assets and matured investments	7.6	5.8	4.6	4.6	4.5	4.6	5.6	3.6
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash	16,897.1	21,735.1	22,203.0	21,651.0	21,373.8	22,203.0	22,725.1	25,490.7
Net balance (Debtors - Creditors)	1,181.7	891.6	1,234.3	1,912.1	1,685.4	1,234.3	1,361.6	1,388.3

Asset allocation of investment companies

TABLE 3.5

Millions of euros

				2020			2021	
	2018	2019	2020	II	III	IV	I	II
Asset	27,835.9	28,792.7	26,960.0	26,228.5	26,074.7	26,960.0	27,659.1	28,291.2
Portfolio investment	24,840.8	25,940.3	24,548.9	23,583.5	23,439.5	24,548.9	25,088.5	25,598.8
Domestic securities	5,031.5	4,588.3	3,419.9	3,438.0	3,293.7	3,419.9	3,490.9	3,517.6
Debt securities	1,433.8	1,217.1	734.3	885.1	878.1	734.3	655.2	619.3
Shares	2,193.7	1,982.8	1,601.2	1,497.5	1,381.3	1,601.2	1,690.4	1,714.8
Collective investment schemes	1,193.8	1,232.2	967.7	927.5	921.8	967.7	1,039.0	1,089.2
Deposits in credit institutions	164.3	98.6	47.7	73.0	57.9	47.7	35.3	27.8
Derivatives	-0.2	0.8	3.2	-3.0	-4.0	3.2	4.7	-0.6
Other	46.2	56.8	65.9	58.0	58.7	65.9	66.2	67.1
Foreign securities	19,803.8	21,348.2	21,125.7	20,142.0	20,142.4	21,125.7	21,594.6	22,078.8
Debt securities	4,241.6	4,617.7	3,243.8	4,075.8	3,860.2	3,243.8	2,909.1	2,852.4
Shares	5,979.1	6,133.8	6,548.1	6,022.3	5,915.0	6,548.1	6,940.2	7,150.3
Collective investment schemes	9,540.9	10,549.0	11,297.4	9,988.5	10,315.4	11,297.4	11,718.5	12,049.4
Deposits in credit institutions	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Derivatives	27.6	34.1	23.8	42.1	38.6	23.8	13.3	12.4
Other	14.5	12.5	12.6	13.2	13.1	12.6	13.5	14.4
Doubtful assets and matured investments	5.6	3.8	3.2	3.5	3.4	3.2	3.0	2.4
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Cash	2,731.9	2,659.8	2,219.3	2,396.2	2,404.0	2,219.3	2,387.9	2,541.8
Net balance (Debtors - Creditors)	262.6	192.1	191.4	248.3	230.6	191.4	182.1	150.0

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

TABLE 3.6

	2018	2019	2020	2020 III	IV	2021 I	II	III[3]
NO. OF FUNDS								
Total financial mutual funds	1,725	1,710	1,644	1,654	1,644	1,642	1,629	1,624
Fixed income[4]	279	281	276	276	276	279	272	270
Mixed fixed income[5]	168	173	174	170	174	181	182	184
Mixed equity[6]	184	185	186	183	186	188	186	186
Euro equity	113	113	104	108	104	100	98	96
Foreign equity	236	263	276	279	276	278	285	292
Guaranteed fixed income	67	66	55	57	55	53	51	51
Guaranteed equity[7]	163	155	133	136	133	130	125	120
Global funds	242	255	248	250	248	252	253	253
Passive management[8]	172	133	118	117	118	114	110	106
Absolute return	99	84	72	76	72	65	65	64
INVESTORS								
Total financial mutual funds	11,217,569	11,739,183	12,660,100	12,237,441	12,660,100	13,586,390	14,325,481	14,591,655
Fixed income[4]	2,709,547	3,668,324	4,135,294	4,002,906	4,135,294	4,435,899	4,621,057	4,720,611
Mixed fixed income[5]	1,188,157	1,087,881	1,203,280	1,184,715	1,203,280	1,364,227	1,406,147	1,396,417
Mixed equity[6]	624,290	707,159	745,112	737,674	745,112	806,042	648,612	660,660
Euro equity	831,115	598,901	530,107	487,843	530,107	705,654	737,047	738,746
Foreign equity	2,225,366	2,655,123	3,043,542	2,914,093	3,043,542	3,298,703	3,545,847	3,601,666
Guaranteed fixed income	165,913	154,980	135,320	141,812	135,320	127,437	115,807	112,702
Guaranteed equity[7]	494,660	428,470	356,439	368,979	356,439	348,061	308,880	287,146
Global funds	1,501,730	1,359,915	1,409,759	1,355,646	1,409,759	1,506,594	1,920,588	2,021,416
Passive management[8]	543,192	429,428	511,251	438,709	511,251	513,333	530,215	531,927
Absolute return	930,641	646,042	587,040	602,106	587,040	477,482	488,319	517,402
TOTAL NET ASSETS (millions of euros)								
Total financial mutual funds	259,095.0	279,377.4	279,694.5	267,084.6	279,694.5	292,865.2	309,047.2	312,669.2
Fixed income[4]	66,889.3	78,583.2	81,015.9	78,775.6	81,015.9	82,209.7	83,503.3	85,194.5
Mixed fixed income[5]	40,471.0	40,819.9	43,200.4	41,957.1	43,200.4	48,373.9	48,143.1	48,109.2
Mixed equity[6]	23,256.0	28,775.8	30,432.7	29,019.2	30,432.7	32,601.3	24,893.5	25,457.7
Euro equity	12,177.7	10,145.1	7,091.1	6,399.0	7,091.1	7,771.9	8,232.2	8,252.9
Foreign equity	24,404.9	34,078.9	37,722.5	32,763.6	37,722.5	42,746.1	46,464.6	46,473.2
Guaranteed fixed income	4,887.4	4,809.3	4,177.0	4,397.6	4,177.0	3,929.5	3,585.6	3,487.0
Guaranteed equity[7]	14,556.0	13,229.1	11,037.1	11,328.0	11,037.1	10,745.2	9,339.3	8,763.3
Global funds	42,137.2	43,041.9	40,944.5	39,057.4	40,944.5	43,120.7	62,913.0	66,920.0
Passive management[8]	16,138.6	14,073.8	14,014.3	13,223.8	14,014.3	13,571.5	13,587.1	13,587.2
Absolute return	14,172.5	11,818.3	10,057.4	10,161.5	10,057.4	7,793.7	8,383.9	6,422.6

1 Sub-funds which have sent reports to the CNMV excluding those in process of dissolution or liquidation.
2 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.
3 Available data: July 2021.
4 Until I-2019 it includes: fixed income euro, foreign fixed income, monetary market funds and short-term monetary market funds. From II-2019 it includes: short-term euro fixed income, euro fixed income, foreign fixed income, public debt constant net asset value short-term money market funds (MMFs), low volatility net asset value short-term MMFs, variable net asset value short-term MMFs and variable net asset value standard MMFs.
5 Mixed euro fixed income and foreign mixed fixed income.
6 Mixed euro equity and foreign mixed equity.
7 Guaranteed equity and partial guarantee.
8 Until I-2019 it includes: passive management CIS. From II-2019 onwards it includes: passive management CIS, index-tracking CIS and non-guaranteed specific return target CIS.

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

TABLE 3.7

	2018	2019	2020	2020 III	IV	2021 I	II	III[1]
INVESTORS								
Total financial mutual funds	11,217,569	11,739,183	12,660,100	12,237,441	12,660,100	13,586,390	14,325,481	14,591,655
Natural persons	11,008,977	11,534,957	12,437,954	12,028,712	12,437,954	13,346,642	14,068,930	14,329,934
Residents	10,917,387	11,440,086	12,339,829	11,931,340	12,339,829	13,245,856	13,964,805	14,224,121
Non-residents	91,590	94,871	98,125	97,372	98,125	100,786	104,125	105,813
Legal persons	208,592	204,226	222,146	208,729	222,146	239,748	256,551	261,721
Credit institutions	655	1,928	1,403	1,444	1,403	1,479	1,465	1,486
Other resident institutions	207,073	201,408	219,849	206,431	219,849	237,336	254,112	259,240
Non-resident institutions	864	890	894	854	894	933	974	995
TOTAL NET ASSETS (millions of euros)								
Total financial mutual funds	259,095.0	279,377.4	279,694.5	267,084.6	279,694.5	292,865.2	309,047.2	312,669.2
Natural persons	215,785.0	231,434.8	230,573.8	221,134.7	230,573.8	240,434.7	250,264.3	252,829.8
Residents	212,758.3	228,214.4	227,444.5	218,133.5	227,444.5	237,165.7	246,838.9	249,365.5
Non-residents	3,026.7	3,220.4	3,129.3	3,001.2	3,129.3	3,269.0	3,425.4	3,464.3
Legal persons	43,310.0	47,942.6	49,120.7	45,949.8	49,120.7	52,430.5	58,782.9	59,839.4
Credit institutions	384.1	523.7	480.0	447.1	480.0	531.3	513.2	492.0
Other resident institutions	41,967.9	46,628.9	47,995.2	44,892.0	47,995.2	51,233.9	57,559.6	58,594.0
Non-resident institutions	957.9	790.0	645.4	610.7	645.4	665.4	710.1	753.4

1 Available data: July 2021.

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

TABLE 3.8

Millions of euros

	2018	2019	2020	2020 II	III	IV	2021 I	II
SUBSCRIPTIONS								
Total financial mutual funds	130,577.0	156,702.7	113,265.7	22,418.1	22,788.8	27,903.2	35,042.4	51,735.6
Fixed income	53,165.8	91,050.8	51,487.7	10,772.7	10,912.9	12,703.3	13,896.5	16,922.1
Mixed fixed income	14,823.4	14,154.1	15,496.2	1,628.1	3,347.8	3,179.3	6,104.1	6,481.4
Mixed equity	10,406.8	11,156.0	8,861.2	1,160.3	2,385.2	2,077.5	2,962.5	3,042.2
Euro equity	7,024.3	2,998.4	2,232.1	664.9	252.2	600.2	1008.8	976.7
Foreign equity	13,265.2	16,864.0	15,974.8	3,758.1	2,584.2	3,982.7	5,194.4	5,883.0
Guaranteed fixed income	796.0	854.1	424.7	204.7	173.0	1.4	2.2	4.7
Guaranteed equity	2,116.8	898.2	74.2	8.9	24.7	25.2	33.1	30.5
Global funds	20,455.3	12,713.7	11,391.1	1,978.3	1,646.2	3,371.2	3,655.2	16,386.3
Passive management	3,014.3	2,261.9	4,944.6	1,541.1	1,015.1	1,460.4	1,062.9	936.6
Absolute return	5,493.3	3,751.5	2,379.0	701.2	447.5	501.9	1,122.6	1,072.2
REDEMPTIONS								
Total financial mutual funds	122,669.5	154,273.0	112,634.4	22,286.0	22,129.0	25,979.4	28,035.7	41,143.4
Fixed income	55,823.7	80,046.4	47,611.0	9,413.2	8,611.4	11,016.6	12,562.8	14,936.3
Mixed fixed income	16,685.2	16,004.2	14,974.6	2,072.5	4,517.1	3,051.5	4,025.5	3,710.1
Mixed equity	7,344.0	7,943.7	7,667.5	1,142.5	1,566.0	1,996.7	1,794.9	10,262.5
Euro equity	5,246.8	6,540.2	4,205.3	1,037.7	711.5	919.3	925.8	838.3
Foreign equity	9,476.0	12,963.1	13,449.4	4,160.7	2,471.0	2,906.0	3,120.1	4,393.9
Guaranteed fixed income	1,202.9	1,136.7	1,030.6	203.8	272.5	247.4	153.7	340.1
Guaranteed equity	2,582.6	2,739.2	2,245.2	222.0	350.5	370.0	332.7	1,437.3
Global funds	11,301.6	15,133.7	12,743.7	2,187.2	2,227.3	3,487.6	2,750.3	3,400.7
Passive management	5,776.3	5,272.0	4,985.6	817.8	930.7	1,210.0	776.1	1,231.4
Absolute return	7,230.5	6,493.7	3,721.4	1,028.4	471.0	774.2	1,594.0	592.8

1 Estimated data.
2 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, 2]

TABLE 3.9

Millions of euros

				2020			2021	
	2018	2019	2020	II	III	IV	I	II
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	7,841.8	2,467.5	660.3	145.6	680.6	1,938.1	7,009.8	10,633.7
Fixed income	-2,766.0	10,732.6	2,062.6	1,393.8	2,141.4	1,714.0	1,324.9	1,237.0
Mixed fixed income	-1,063.7	-1,506.1	2,619.5	-353.7	-988.9	219.6	4,789.7	-705.8
Mixed equity	2,485.9	3,288.8	1,601.4	6.8	1,036.4	147.0	1,375.3	-8,279.2
Euro equity	1,848.7	-3,588.2	-2,007.7	-366.0	-485.7	-319.2	82.3	135.8
Foreign equity	3,864.1	4,113.8	2,633.1	-355.5	174.0	1,078.9	2,082.0	1,257.6
Guaranteed fixed income	-575.8	-282.6	-707.4	-43.8	-156.9	-245.4	-226.2	-335.5
Guaranteed equity	-667.2	-1,857.0	-2,254.2	-213.0	-347.2	-380.2	-299.6	-1,406.6
Global funds	9,448.9	-2,553.9	-1,501.2	-253.4	-580.3	-92.7	1,075.3	18,527.0
Passive management	-2,790.4	-3,026.8	-23.8	737.5	158.5	179.9	-862.2	-294.8
Absolute return	-1,899.6	-2,852.9	-1,761.9	-407.0	-270.7	-363.5	-2,331.7	498.4
RETURN ON ASSETS								
Total financial mutual funds	-13,919.3	18,002.8	-310.6	13,353.6	2,796.2	10,679.0	6,169.7	5,558.4
Fixed income	-908.5	961.9	371.5	1,309.9	455.6	525.9	-130.6	56.8
Mixed fixed income	-1,865.1	1,866.9	-220.0	1,627.0	369.4	1,029.4	389.1	481.2
Mixed equity	-1,616.6	2,231.0	55.5	1,675.2	471.1	1,266.6	793.7	572.3
Euro equity	-1,871.2	1,556.4	-1,044.9	776.0	-142.5	1,011.8	598.9	325.1
Foreign equity	-3,522.6	5,561.1	1,012.7	4,477.5	832.6	3,881.1	2,941.7	2,462.1
Guaranteed fixed income	6.6	204.4	75.2	56.1	37.1	24.8	-21.4	-8.5
Guaranteed equity	-194.2	530.0	62.2	155.6	48.7	89.3	7.8	0.6
Global funds	-2,602.1	3,460.8	-595.3	2,204.0	566.4	1,980.3	1,101.2	1,265.6
Passive management	-537.5	1,133.2	-28.7	608.4	15.2	610.6	421.4	310.4
Absolute return	-796.6	498.7	1.7	464.4	142.7	259.3	68.0	92.6

1 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.
2 A change of category is treated as a redemption in the original category and a subscription in the final one. For this reason, and the adjustments due to de-registrations in the quarter, the net subscription/refund data may be different from those in Table 3.8

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

TABLE 3.10

% of daily average total net assets

				2020			2021	
	2018	2019	2020	II	III	IV	I	II
MANAGEMENT YIELDS								
Total financial mutual funds	-4.19	7.67	0.85	5.44	1.31	4.18	2.41	2.14
Fixed income	-0.79	1.83	0.99	1.89	0.72	0.79	-0.04	0.19
Mixed fixed income	-3.25	5.75	0.50	4.11	1.15	2.70	1.06	1.31
Mixed equity	-5.46	9.79	1.60	6.58	1.99	4.64	2.89	2.79
Euro equity	-11.98	16.01	-12.72	11.68	-1.71	15.60	8.62	4.46
Foreign equity	-11.89	21.00	4.76	15.31	3.01	11.53	7.73	5.97
Guaranteed fixed income	0.56	4.52	2.18	1.42	1.04	0.70	-0.43	-0.12
Guaranteed equity	-0.80	4.20	1.00	1.46	0.56	0.90	0.19	0.09
Global funds	-5.11	9.24	-0.30	6.04	1.74	5.29	2.93	2.58
Passive management	-2.55	7.88	0.29	5.29	0.27	4.61	3.31	2.43
Absolute return	-4.01	4.93	0.87	4.74	1.61	2.81	1.14	1.38
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.86	0.85	0.83	0.20	0.21	0.22	0.21	0.22
Fixed income	0.45	0.44	0.42	0.10	0.11	0.11	0.10	0.10
Mixed fixed income	0.96	0.92	0.88	0.22	0.22	0.23	0.22	0.22
Mixed equity	1.26	1.29	1.28	0.31	0.32	0.34	0.34	0.32
Euro equity	1.47	1.49	1.45	0.36	0.37	0.37	0.33	0.33
Foreign equity	1.41	1.41	1.31	0.31	0.32	0.36	0.34	0.33
Guaranteed fixed income	0.38	0.36	0.36	0.09	0.09	0.09	0.09	0.09
Guaranteed equity	0.53	0.47	0.44	0.11	0.11	0.11	0.11	0.11
Global funds	0.98	1.03	1.07	0.26	0.27	0.27	0.28	0.30
Passive management	0.48	0.42	0.41	0.10	0.11	0.09	0.10	0.09
Absolute return	0.79	0.81	0.78	0.19	0.19	0.20	0.20	0.19
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.07	0.07	0.08	0.02	0.02	0.02	0.02	0.02
Fixed income	0.06	0.06	0.06	0.02	0.02	0.02	0.02	0.02
Mixed fixed income	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Mixed equity	0.10	0.10	0.10	0.02	0.02	0.02	0.02	0.02
Euro equity	0.10	0.10	0.10	0.02	0.02	0.02	0.02	0.02
Foreign equity	0.09	0.09	0.09	0.02	0.02	0.02	0.02	0.02
Guaranteed fixed income	0.05	0.05	0.05	0.01	0.01	0.01	0.01	0.01
Guaranteed equity	0.05	0.05	0.05	0.01	0.01	0.01	0.01	0.01
Global funds	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Passive management	0.05	0.05	0.05	0.01	0.01	0.01	0.01	0.01
Absolute return	0.06	0.06	0.07	0.02	0.02	0.02	0.02	0.02

1 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.

Mutual funds, quarterly returns. Breakdown by category[1]

TABLE 3.11

In %

				2020		2021		
	2018	2019	2020	III	IV	I	II	III[2]
Total financial mutual funds	-4.89	7.12	0.78	1.08	4.14	2.34	1.93	0.27
Fixed income	-1.44	1.38	0.62	0.60	0.68	-0.16	0.07	0.28
Mixed fixed income	-4.27	4.75	-0.03	0.90	2.45	0.85	1.04	0.26
Mixed equity	-6.45	9.25	0.59	1.71	4.37	2.56	2.42	0.41
Euro equity	-13.01	14.27	-8.75	-2.25	16.61	8.58	4.28	0.58
Foreign equity	-12.34	22.18	2.83	2.62	11.94	7.87	5.74	0.08
Guaranteed fixed income	0.09	3.98	1.68	0.83	0.59	-0.52	-0.22	0.38
Guaranteed equity	-1.33	3.62	0.70	0.43	0.81	0.08	0.00	0.30
Global funds	-5.69	8.45	-0.31	1.46	5.18	3.10	2.28	0.31
Passive management	-3.16	7.45	0.44	0.10	4.82	3.28	2.36	0.32
Absolute return	-4.81	3.94	0.94	1.42	2.80	0.97	1.15	0.12

1 Data on side-pocket sub-funds are only included in aggregate figures, and not in each individual category.
2 Available data: July 2021.

Hedge funds and funds of hedge funds

TABLE 3.12

	2018	2019	2020	2020 II	2020 III	2020 IV	2021 I	2021 II[1]
HEDGE FUNDS								
Investors/shareholders[2]	4,444	7,548	7,961	8,023	7,968	7,961	8,067	8,197
Total net assets (millions of euros)	2,262.2	2,832.4	2,912.6	2,704.5	2,695.2	2,912.6	3,085.3	3,201.1
Subscriptions (millions of euros)	500.7	1,290.0	454.5	70.8	42.7	125.6	134.4	182.0
Redemptions (millions of euros)	320.4	937.0	407.2	80.9	119.6	120.5	62.5	130.6
Net subscriptions/redemptions (millions of euros)	180.3	353.0	47.3	-10.1	-77.0	5.1	71.9	51.4
Return on assets (millions of euros)	-153.8	217.2	27.7	191.4	62.5	212.3	100.8	64.4
Returns (%)	-6.47	10.35	1.77	7.83	1.63	7.66	2.77	2.23
Management yields (%)[3]	-5.46	9.94	2.35	7.39	2.80	7.93	3.77	2.51
Management fees (%)[3]	1.70	1.19	1.43	0.23	0.44	0.53	0.29	0.39
Financial expenses (%)[3]	0.01	0.00	0.02	0.00	0.00	0.02	0.04	0.02
FUNDS OF HEDGE FUNDS								
Investors/shareholders[2]	2,804	2,859	2,858	2,859	2,865	2,858	3,020	3,509
Total net assets (millions of euros)	468.8	566.7	652.8	612.3	622.0	652.8	666.0	682.0
Subscriptions (millions of euros)	7.2	72.3	32.4	12.1	0.0	18.1	4.6	–
Redemptions (millions of euros)	0.6	0.3	3.1	0.4	0.0	2.6	11.7	–
Net subscriptions/redemptions (millions of euros)	6.6	71.4	29.3	11.7	0.0	15.5	-7.1	–
Return on assets (millions of euros)	-6.5	26.5	56.8	53.7	9.7	15.3	20.3	–
Returns (%)	-1.28	5.23	3.71	3.26	1.59	2.44	3.22	0.47
Management yields (%)[4]	-3.04	6.32	4.24	2.81	1.75	2.55	3.35	–
Management fees (%)[4]	1.64	1.63	1.39	0.36	0.34	0.34	0.33	–
Depository fees (%)[4]	0.06	0.06	0.06	0.02	0.01	0.02	0.01	–

1 Available data: May 2021.
2 Data on sub-funds.
3 % of monthly average total net assets.
4 % of daily average total net assets.

Management companies. Number of portfolios and assets under management

TABLE 3.13

	2018	2019	2020	2020 III	2020 IV	2021 I	2021 II	2021 III[1]
NUMBER OF PORTFOLIOS[2]								
Mutual funds	1,617	1,595	1,515	1,534	1,515	1,506	1,487	1,474
Investment companies	2,713	2,560	2,421	2,479	2,421	2,377	2,328	2,316
Funds of hedge funds	7	7	7	7	7	8	9	9
Hedge funds	49	62	69	67	69	73	71	72
Real estate mutual funds	3	2	2	2	2	2	2	2
Real estate investment companies	4	3	3	3	3	2	2	2
ASSETS UNDER MANAGEMENT (millions of euros)								
Mutual funds	259,095.0	279,377.4	279,694.5	267,084.6	279,694.5	292,865.2	309,047.2	312,669.2
Investment companies	27,479.7	28,385.5	26,564.8	25,742.1	26,564.8	27,245.8	27,827.0	27,747.2
Funds of hedge funds[3]	468.8	566.7	652.8	617.2	652.8	666.0	682.0	–
Hedge funds[3]	2,262.2	2,832.4	2,912.6	2,700.7	2,912.6	3,085.3	3,201.1	–
Real estate mutual funds	309.4	309.4	310.8	310.6	310.8	311.0	311.1	311.0
Real estate investment companies	748.8	763.5	907.1	899.5	907.1	890.0	890.2	892.6

1 Available data: July 2021.
2 Data source: Registers of Collective Investment Schemes.
3 Available data for the second quarter of 2021: May 2021.

Foreign Collective Investment Schemes marketed in Spain[1]

TABLE 3.14

				2020			2021	
	2018	2019	2020	II	III	IV	I	II
INVESTMENT VOLUME[2, 3] (millions of euros)								
Total	162,335.0	178,841.5	199,419.3	186,002.0	190,324.3	199,419.3	219,851.3	249,927.6
Mutual funds	34,209.6	30,843.4	27,355.5	30,056.0	26,815.7	27,355.5	27,861.7	32,797.0
Investment companies	128,125.5	147,998.1	172,063.8	155,945.9	163,508.6	172,063.8	191,989.7	217,130.6
INVESTORS/SHAREHOLDERS[2]								
Total	3,173,245	3,361,901	4,312,340	3,839,528	3,939,998	4,312,340	4,865,192	5,231,449
Mutual funds	547,826	521,648	592,053	573,316	568,132	592,053	635,555	697,470
Investment companies	2,625,419	2,840,253	3,720,287	3,266,212	3,371,866	3,720,287	4,229,637	4,533,979
NUMBER OF SCHEMES[4]								
Total	1,024	1,033	1,048	1,042	1,042	1,048	1,046	1,058
Mutual funds	429	399	407	402	404	407	421	423
Investment companies	595	634	641	640	638	641	625	635
COUNTRY[4]								
Luxembourg	447	462	472	469	468	472	480	486
France	263	222	225	221	224	225	228	229
Ireland	200	220	222	221	221	222	221	224
Germany	42	48	45	49	46	45	48	50
United Kingdom	27	23	23	23	23	23	0	0
The Netherlands	2	4	3	4	4	3	3	3
Austria	24	30	32	31	31	32	34	34
Belgium	5	5	5	5	5	5	5	5
Denmark	1	1	1	1	1	1	1	1
Finland	9	11	13	11	12	13	14	14
Liechtenstein	4	4	4	4	4	4	4	4
Portugal	0	3	3	3	3	3	3	3
Sweden	0	0	0	0	0	0	5	5

1 Only data on UCITS are included.
2 From I-2018 onwards, data are estimated.
3 Investment volume: participations or shares owned by the investors/shareholders at the end of the period valued at that time.
4 UCITS (funds and societies) registered at the CNMV.

Real estate investment schemes[1]

TABLE 3.15

				2020		2021		
	2018	2019	2020	III	IV	I	II	III[2]
REAL ESTATE MUTUAL FUNDS								
Number	2	2	2	2	2	2	2	2
Investors	483	483	483	483	483	483	483	482
Assets (millions of euros)	309.4	309.4	310.8	310.6	310.8	311.0	311.1	311.0
Return on assets (%)	0.24	-0.02	0.47	0.30	0.06	0.06	0.01	0.00
REAL ESTATE INVESTMENT COMPANIES								
Number	4	3	3	3	3	2	2	2
Shareholders	422	316	315	312	315	207	205	208
Assets (millions of euros)	748.8	763.5	907.1	899.50	907.10	890.00	890.2	892.6

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: July 2021.