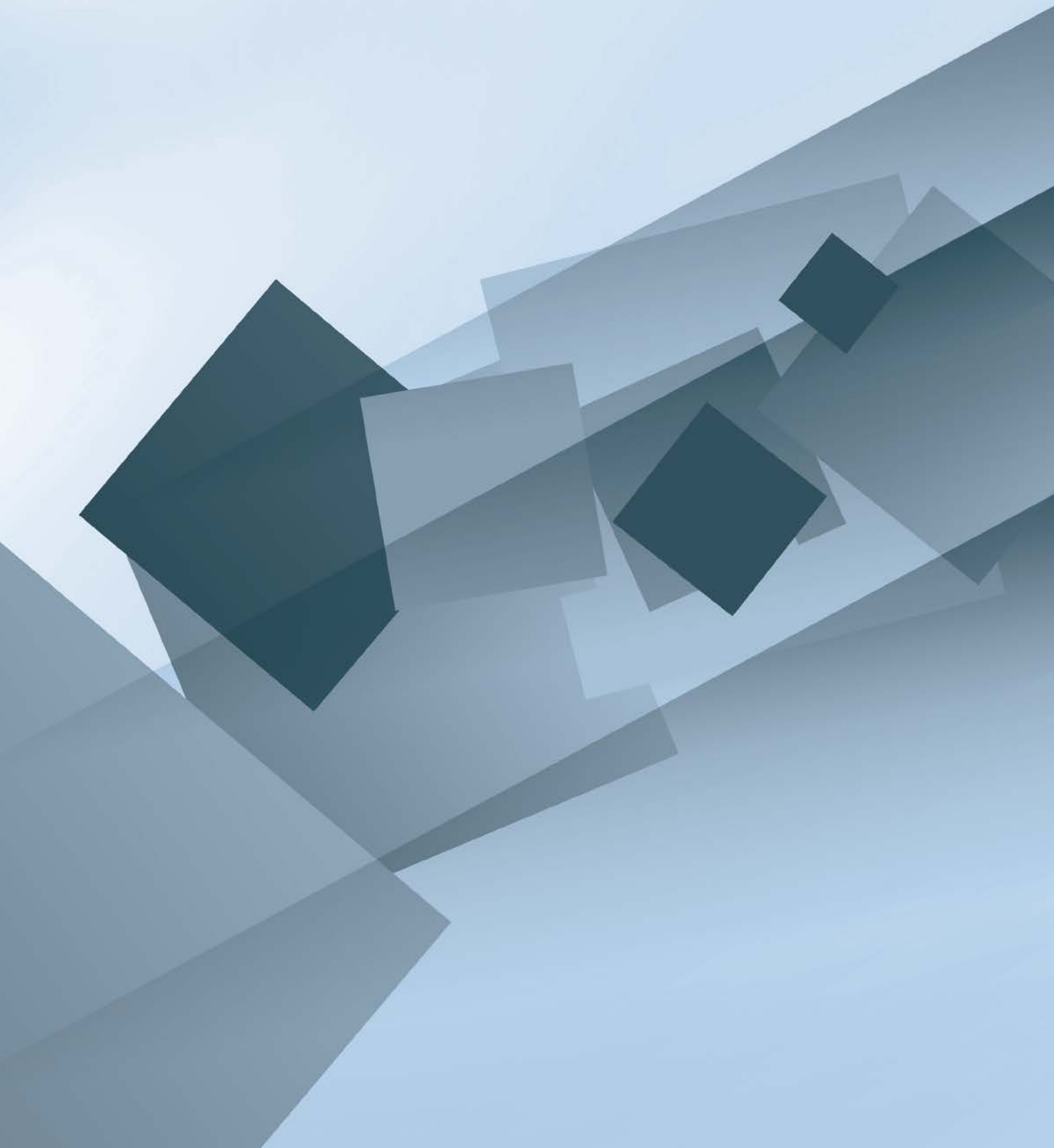




CNMV BULLETIN
March 2016



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Abbreviations

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

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

I Market survey (*)

(*) This article has been prepared by staff of the CNMV's Department of Research, Statistics and Publications.

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1 Overview

The year 2016 began with a sharp upswing in volatility on global financial markets on widespread uncertainty about the slowdown in China and other emerging market economies, and the steeply declining prices of oil and other commodities. 2015 figures appear to confirm that the world economy is in for a period of cooler growth. Moreover, recent voices of alarm over financial institutions in Italy, Portugal and even Germany have renewed concerns about the health of the banking system. In this context, the monetary policies applied in the United States and euro area have encountered obstacles along their divergent paths. In the United States, the Federal Reserve is proceeding with the rates upcycle initiated in late 2015, but the signs of weakness in global economic activity could slow the pace of future interest rate hikes. The euro area, conversely, is having to cope simultaneously with subdued GDP growth (1.5% in 2015 and 0.9% in 2014) and exceptionally reduced inflation (0% in 2015 and 0.4% in 2014), despite the battery of easing measures launched by the monetary authority. This situation, compounded by concerns about the banking system, may push the ECB to adopt new stimulus measures in March.

Stock markets have corrected downwards year to date¹ in response to this unsettled climate, with losses ranging from the 2.3% of the UK's FTSE 100 to the 18.4% of Italian index Mib 30, while volatility readings have increased in many cases to upwards of 40%. Among the emerging market economies, falling share prices have been accompanied by a large jump in risk spreads. In bond markets, meantime, yields have held at or near historical lows. This is especially true of euro-area economies, where a high proportion of public debt securities (and some interbank instruments) have been yielding negative returns for some months now.

In Spain, global uncertainties are joined by the political impasse at home. So far, however, the absence of an agreement permitting the formation of a stable government has had little visible impact on domestic financial markets. The Ibex 35 has shed 12.5% year to date, around the mid-point of the correction taken by all European stock markets (from 7% to 18.4%), while the risk premium closed last February at 144 basis points (bp), a bare 29 bp higher than at end-2015. Although the global uncertainties of recent few weeks have hit Spanish firms across the board, it is also true that those most exposed to distressed Latin American economies, Brazil especially, fared worse overall in late 2015 and the opening weeks of 2016. Hence the 7.2% losses of the Ibex 35 in 2015 contrasted with the 13.7% and 6.4% gains of the considerably more insulated medium and small cap indices.

1 Data to 26 February.

Key financial indicators

TABLE 1

	2Q 15	3Q 15	4Q 15	1Q 16 ¹
Short-term interest rates (%)²				
Official interest rate	0.05	0.05	0.05	0.05
Euribor 3 months	-0.01	-0.04	-0.13	-0.18
Euribor 12 months	0.16	0.15	0.06	-0.01
Exchange rates³				
Dollar/euro	1.12	1.12	1.09	1.10
Yen /euro	137.0	134.7	131.1	124.4
Medium and long government bond yields⁴				
Germany				
3 years	-0.12	-0.17	-0.28	-0.46
5 years	0.15	0.05	-0.07	-0.31
10 years	0.83	0.68	0.60	0.24
United States				
3 years	1.06	1.01	1.28	0.89
5 years	1.68	1.48	1.69	1.22
10 years	2.36	2.17	2.24	1.78
Corporate debt risk premium: Spread over ten-year government bonds (bp)⁴				
Euro area				
High yield	468	535	542	624
BBB	133	161	169	212
AAA	119	132	124	125
United States				
High yield	432	548	654	792
BBB	153	193	211	271
AAA	66	77	68	83
Equity markets				
Performance of main world stock indices (%) ⁵				
Eurostoxx 50	-7.4	-9.5	5.4	-10.4
Dow Jones	-0.9	-7.6	7.0	-4.5
Nikkei	5.4	-14.1	9.5	-14.9
Other indices (%)				
Merval (Argentina)	7.6	-15.8	19.0	10.7
Bovespa (Brazil)	3.8	-15.1	-3.8	-4.5
Shanghai Comp. (China)	14.1	-28.6	15.9	-21.8
BSE (India)	-1.7	-4.6	0.2	-12.2
Spanish stock market				
Ibex 35 (%)	-6.5	-11.2	-0.2	-12.5
P/E of Ibex 35 ⁶	16.0	13.4	14.1	12.7
Volatility of Ibex 35 (%) ⁷	23.0	24.5	22.2	30.3
SIBE trading volumes ⁸	4,085	3,291	3,279	3,221

Source: CNMV, Thomson Datastream and Bolsa de Madrid.

1 Data to 26 February.

2 Monthly average of daily data. The official interest rate corresponds to the marginal rate at weekly auctions at the period close.

3 Data at period end.

4 Monthly average of daily data.

5 Cumulative quarterly change in each period.

6 Price-earnings ratio.

7 Implied volatility. Arithmetical average for the quarter.

8 Daily average in million euros.

2 International financial background

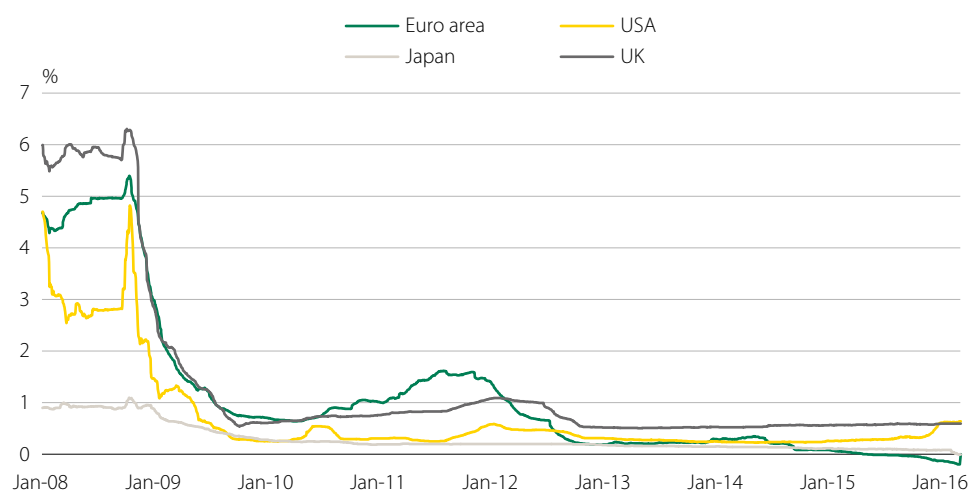
2.1 Short-term interest rates

Short-term interest rates in the major advanced economies began to drift apart in late 2015 reflecting their divergent monetary policy stances and varying dynamics of prices and activity. In the United States, the upbeat performance of economic activity and employment urged the Federal Reserve to hike official rates by 25 bp in mid-December to the range of 0.25%-0.50% (the first increase since mid-2006). This decision pushed short-term rates in the US economy over 20 bp higher in the fourth quarter of 2015. Despite the switch, rates remained at historically reduced levels at end-February 2016 (see figure 1).

In the euro area and Japan, by contrast, sluggish activity and low-key inflation kept short rates on a declining course. The fall was steeper in the euro area, where a significant portion of short-term instruments have been trading at negative yields for several months. Sub-zero yields were also the story in government bond and interbank markets, where one-year rates moved into negative terrain at the start of February.

Three-month interest rates

FIGURE 1



Source: Thomson Datastream. Data to 26 February.

As we can see from table 2, short rates were higher in the US and UK at end-February than in the euro area and Japan. In the first two economies, three-month rates ranged from 59-62 bp and twelve-month rates from 1%-1.14%. Meantime, rates in Japan kept just above zero across all maturity segments, and euro-area rates stood between -0.18% at three months and 0.01% at twelve.

The LIBOR-OIS spreads that serve as a yardstick for interbank tensions held more or less flat in the first two months, despite the turmoil gripping financial markets and doubts about the viability of certain European banks. But nerves showed through in the jump in euro-area banks' deposits with the ECB as far as an end-January balance approaching 210 billion euros (see figure 2). This was despite the fact that such deposits earned an interest rate of -0.30%, i.e., that depositor banks had to pay the ECB 0.30% interest for holding their cash.

Short-term interest rates¹ (%)

TABLE 2

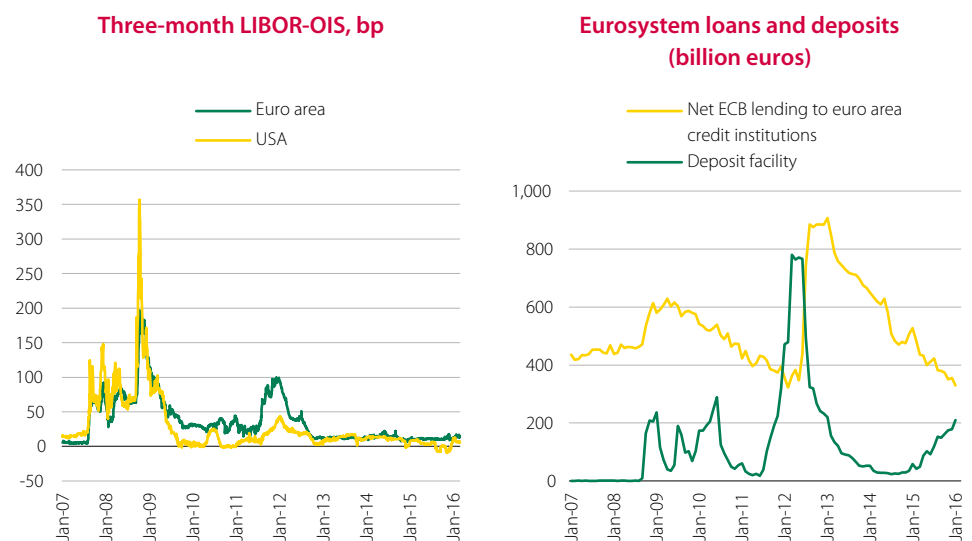
	Dec 12	Dec 13	Dec 14	Dec 15	Jun 15	Sep 15	Dec 15 ¹	Feb 16 ¹
Euro area								
Official ²	0.75	0.25	0.05	0.05	0.05	0.05	0.05	0.05
3 months	0.19	0.28	0.08	-0.13	-0.01	-0.04	-0.13	-0.18
6 months	0.32	0.37	0.18	-0.04	0.05	0.04	-0.04	-0.11
12 months	0.55	0.54	0.33	0.06	0.16	0.15	0.06	-0.01
United States								
Official ³	0.25	0.25	0.25	0.50	0.25	0.25	0.50	0.50
3 months	0.31	0.24	0.25	0.54	0.28	0.33	0.54	0.62
6 months	0.51	0.35	0.34	0.77	0.44	0.54	0.77	0.87
12 months	0.85	0.58	0.60	1.09	0.77	0.85	1.09	1.14
United Kingdom								
Official	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3 months	0.52	0.52	0.56	0.58	0.57	0.59	0.58	0.59
6 months	0.67	0.61	0.68	0.74	0.72	0.75	0.74	0.74
12 months	1.02	0.89	0.98	1.05	1.02	1.05	1.05	1.00
Japan								
Official ⁴	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-0.10
3 months	0.18	0.15	0.11	0.08	0.10	0.08	0.08	0.01
6 months	0.29	0.21	0.15	0.12	0.14	0.13	0.12	0.02
12 months	0.50	0.37	0.27	0.22	0.25	0.24	0.22	0.10

Source: Thomson Datastream.

- 1 Monthly average of daily data except official rates, which correspond to the last day of the period. Data to 26 February.
- 2 Marginal rate at weekly auctions.
- 3 Federal funds rate.
- 4 Monetary policy rate.

LIBOR-OIS spreads and Eurosystem financing

FIGURE 2



Source: Thomson Datastream and Banco de España.

As regards expectations, three-month forward rates (FRAs) anticipate some divergence in the path of short-term rates between the euro area and the United States. Specifically, European rates are projected to head lower all year (perhaps a further 10-15 bp), while US rates climb at the pace dictated by the Federal Reserve. In Europe, ECB monetary policy will stay focused on the breadth and scope of its bond-buying programme (with some news due in March). In the United States, meantime, the worsening global economic and financial landscape seems to have already altered the calendar of interest rate hikes, which will be neither as large nor as frequent as predicted at end-2015. In fact, FRAs are pricing in a delay until the second half (see table 3).

Three-month forward rates (FRAs) (%)

TABLE 3

	Dec 12	Dec 13	Dec 14	Dec 15	Jun 15	Sep 15	Dec 15	Feb 16
Euro area								
Spot	0.19	0.29	0.08	-0.13	-0.01	-0.04	-0.13	-0.20
FRA 3x6	0.17	0.28	0.07	-0.17	0.02	-0.05	-0.17	-0.30
FRA 6x9	0.17	0.29	0.06	-0.18	0.02	-0.06	-0.18	-0.33
FRA 9x12	0.20	0.33	0.08	-0.18	0.03	-0.07	-0.18	-0.35
FRA 12x15	0.23	0.38	0.12	-0.18	0.03	-0.07	-0.18	-0.35
United States								
Spot	0.31	0.25	0.26	0.61	0.28	0.33	0.61	0.64
FRA 3x6	0.30	0.28	0.31	0.77	0.38	0.44	0.77	0.73
FRA 6x9	0.33	0.32	0.48	0.94	0.60	0.55	0.94	0.78
FRA 9x12	0.35	0.38	0.70	1.09	0.77	0.66	1.09	0.82
FRA 12x15	0.38	0.45	0.97	1.26	0.98	0.80	1.26	0.85

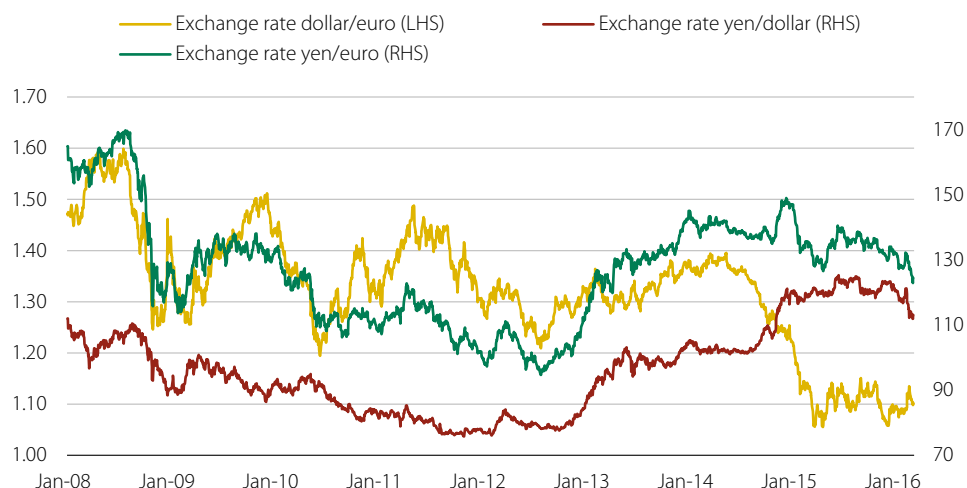
Source: Thomson Datastream. Data to 26 February.

2.2 Exchange rates

Euro-dollar exchange rates have hovered around the 1.10-dollar mark since January of last year, though the European currency has tended to gain ground of late undeterred by interest rate rises in the United States. By mid-February, the euro was trading at 1.13 dollars, a little ahead of the 2015 close (1.09) and the lows of last November (1.06), only to drop back to 1.10 dollars at the end of the same month. Conversely, the euro has been weakening for months against the Japanese currency (see figure 3), down from 140 yens at mid-June 2015 to 124 at the end of February 2016.

Dollar/euro and yen/euro exchange rates

FIGURE 3

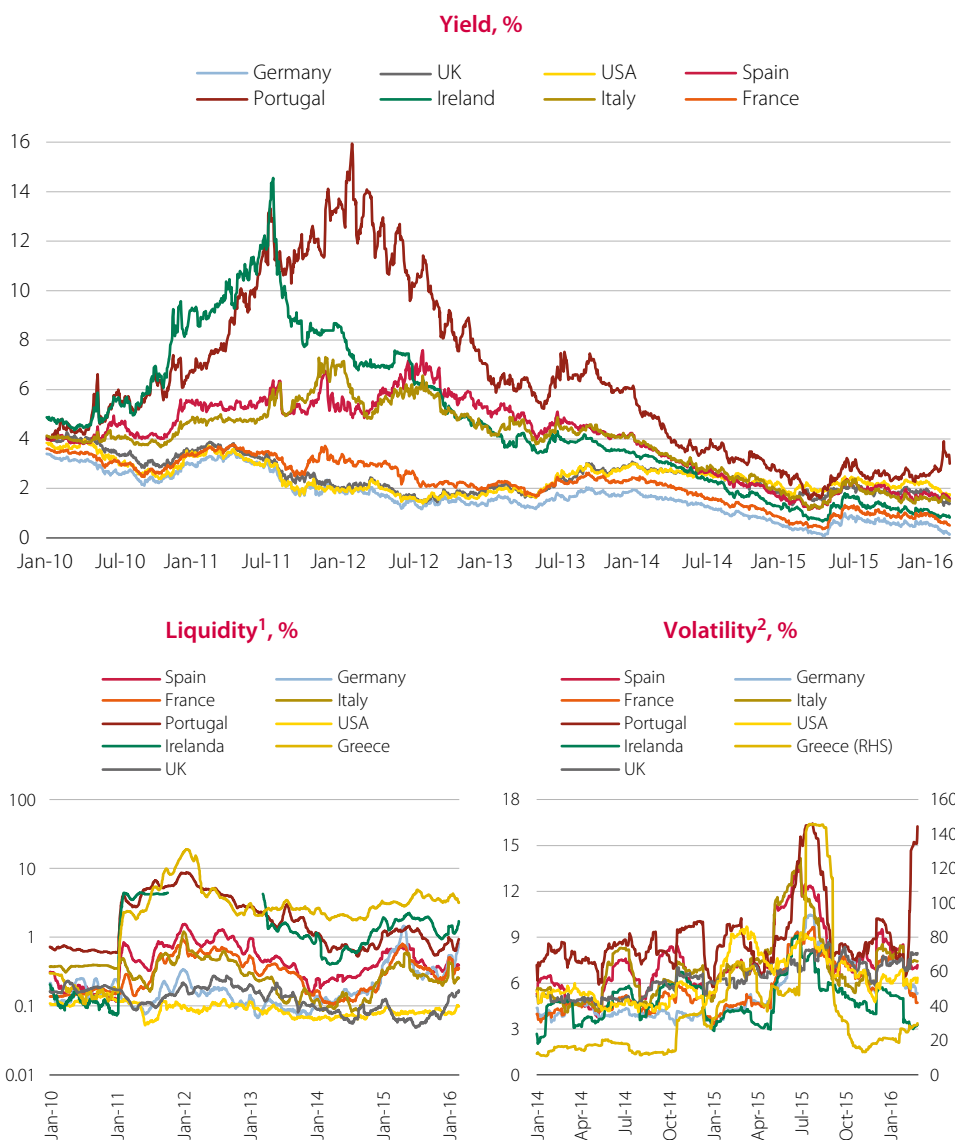


Source: Thomson Datastream. Data to 26 February.

2.3 Long-term interest rates

Long-term bond yields ended last year at ultra-low levels as most advanced economies settled into a pattern of moderate growth and reduced inflation. Yields were highest in the United States and United Kingdom, with ten-year governments trading at 1.8% and 1.5% respectively at the 2015 close (practically on a par with 2014), well ahead of the levels observed in the euro area and Japan.

In the euro area, long-term interest rates have trended steadily downwards except for a brief spike in 2Q 2015 coinciding with renewed tensions around Greece. The decline was supported not only by the cyclical position of the European economy, but also by the ECB's purchasing programme which has helped anchor yields at ultra-reduced levels. So much so that a growing number of long-term debt instruments have followed short-term securities into sub-zero yields. In the case of German government bonds, three- and five-year yields have been negative respectively since summer 2014 and the start of 2015, while ten-year yields were a bare 0.60% at the 2015 close (0.24% in February 2016).



Source: Bloomberg, Thomson Datastream and CNMV. Data to 26 February.

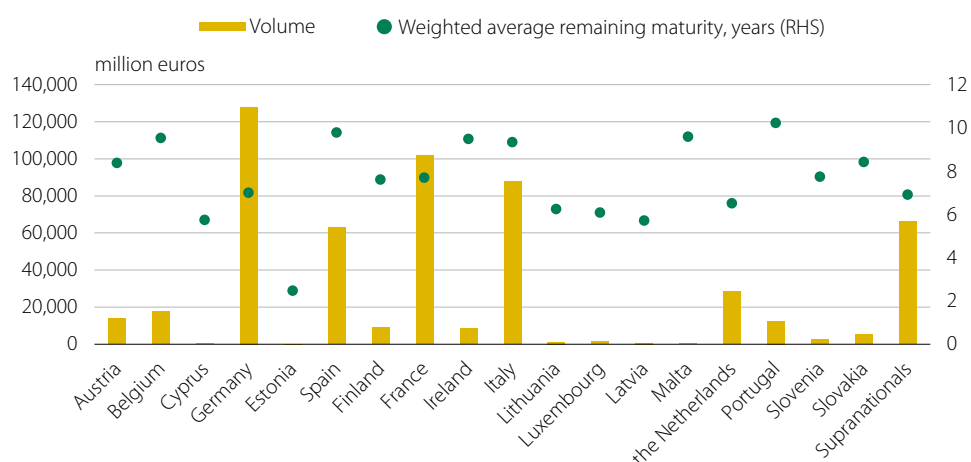
- 1 Monthly average of the daily bid-ask spread of 10-year sovereign yields. Y axis on a logarithmic scale.
- 2 Annualised standard deviation of daily changes in 40-day sovereign bond prices.

Long-term government yields in the advanced economies headed lower across the board in the first two months of 2016. The uncertainty surrounding China along with other global stress factors have boosted haven demand for these sovereign instruments, driving yields in some cases to record lows. In the ten-year maturity, falls ran from 27 bp in Japan to 46 bp in the United States, and by the end of February bonds were trading at 1.78% in the United States, 1.45% in the United Kingdom, 0.24% in Germany and 0.03% in Japan. In this last economy, ten-year yields actually dipped below zero for several days, for the first time in the series.

ECB sovereign bond-buying programme

FIGURE 5

By country and maturity



Source: ECB. Amount to 31 January.

Medium and long government bond yields¹ (%)

TABLE 4

	Dec 12	Dec 13	Dec 14	Dec 15	Jun 15	Sep 15	Dec 15	Feb 16
Germany								
3 years	0.04	0.35	-0.04	-0.28	-0.12	-0.17	-0.28	-0.46
5 years	0.35	0.84	0.08	-0.07	0.15	0.05	-0.07	-0.31
10 years	1.36	1.85	0.64	0.60	0.83	0.68	0.60	0.24
United States								
3 years	0.35	0.68	1.06	1.28	1.06	1.01	1.28	0.89
5 years	0.70	1.58	1.64	1.69	1.68	1.48	1.69	1.22
10 years	1.71	2.90	2.20	2.24	2.36	2.17	2.24	1.78
United Kingdom								
3 years	0.38	0.85	0.79	0.82	1.01	0.83	0.82	0.46
5 years	0.86	1.72	1.27	1.25	1.51	1.28	1.25	0.79
10 years	1.85	2.93	1.87	1.88	2.06	1.85	1.88	1.45
Japan								
3 years	0.11	0.13	0.00	0.00	0.02	0.02	0.00	-0.20
5 years	0.18	0.21	0.06	0.04	0.11	0.07	0.04	-0.16
10 years	0.74	0.68	0.38	0.30	0.47	0.36	0.30	0.03

Source: Thomson Datastream.

¹ Monthly average of daily data. Data to 26 February.

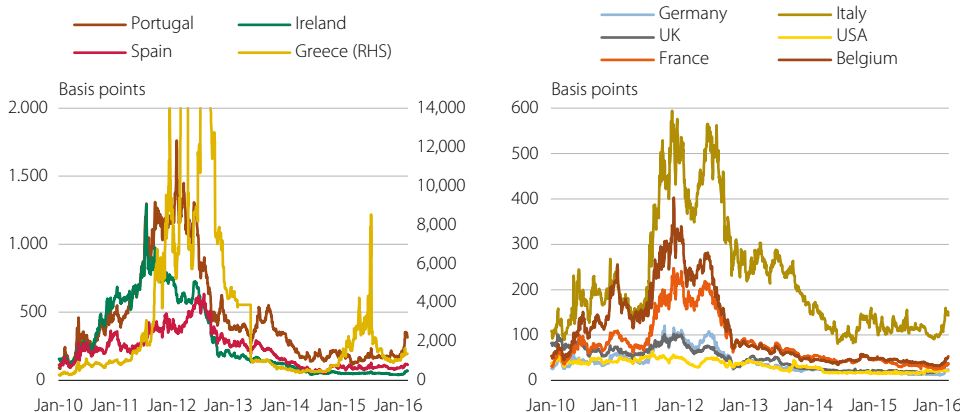
After a more or less settled 2H 2015, sovereign risk premiums (as gleaned from five-year CDS contracts) began to strain higher in the first two months of 2016 in vulnerable European countries; particularly those, like Portugal and Italy, with financial systems in dubious health. Portuguese and Italian sovereign CDS spreads widened by 145 bp and almost 50 bp respectively. In Spain, by contrast, spreads rose by just 23 bp in the same two months, despite the added complication of political instability (see figure 6).

Sovereign credit spreads (5-year CDS)

FIGURE 6

Economies in receipt of financial assistance

Other economies

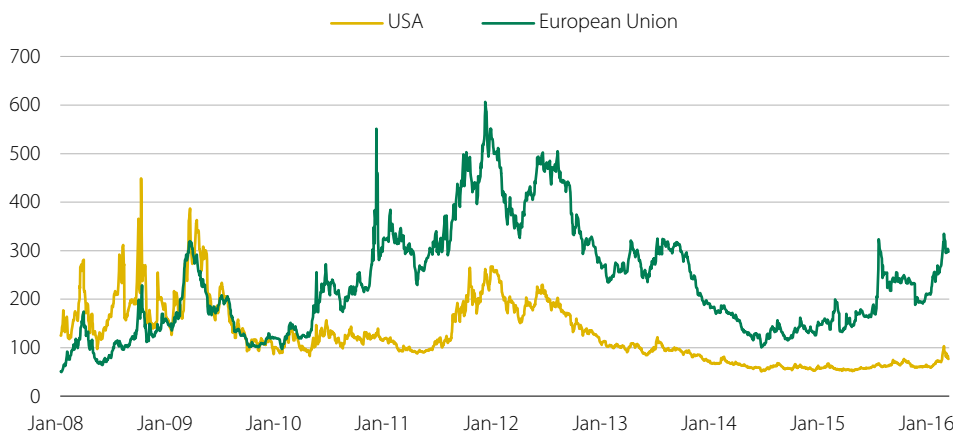


Source: Thomson Datastream. Data to 26 February.

Growing concerns about the business performance of European banks have driven sector risk spreads sharply higher to almost 300 bp at the end of February, 70 bp more than at the 2015 close (see figure 7). This situation, contrasting with the robustness of US institutions, reflects the alignment of various uncertainty factors: the growth stall in China and other emerging market economies, depressed commodity prices, and the persistence of ultra-low interest rates in the economy, which has significantly eroded banks' earning power.

Bank sector credit spreads (5-year CDS)

FIGURE 7



Source: Thomson Datastream, indices drawn up by CMA. Data to 26 February.

Spreads on lower quality corporate bonds have been widening notably for some months now. This is especially true in the United States, where the average monthly spread on high-yield corporates reached 792 bp in the month of February, 137 bp more than at the 2014 close and 360 bp more than at mid-year 2015 (see table 5). High-yield spreads have even briefly overtaken the previous highs of October 2011 and are zeroing in on the values of summer 2009. This contrasts with the far more moderate rises observed in the euro area (82 bp versus December 2015 and 156 bp

versus June 2015), where high-yield spreads remained a long way short of the peak levels of end-2011 (624 bp versus 1,011 bp).

Corporate bond spreads¹

TABLE 5

Spread vs. the ten-year government bond, basis points

	Dec 12	Dec 13	Dec 14	Dec 15	Jun 15	Sep 15	Dec 15	Feb 16
Euro area²								
High yield	510	366	519	542	468	535	542	624
BBB	198	130	129	169	133	161	169	212
AAA	50	21	14	124	119	132	124	125
United States								
High yield	507	346	478	654	432	548	654	792
BBB	165	104	161	211	153	193	211	271
AAA	29	66	59	68	66	77	68	83

Source: Thomson Datastream.

1 Monthly average of daily data. Data to 26 February.

2 Spread over the German bond.

Net issuance on global debt markets summed 2.52 trillion dollars in full-year 2015, 23.5% less than in 2014. This was the lowest amount (in net terms) since the year 2000, albeit with major disparities across economic areas and sectors. By region, the front runner was the United States, where net debt issuance swelled by 26.5% to 1.5 trillion dollars on the increased borrowings of both the private (+37.8%) and public (+16.9%) sector. In remaining regions (Europe, Japan and the rest of the world) issuance tended to be smaller than in 2014.

Issuers in US markets were especially busy in the first half of 2015, with non-financial corporations strongly to the fore (see bottom right panel of figure 8). One reason was firms rushing to cut their costs by bringing forward placements ahead of the interest rate hikes predicted for the closing months. In Europe, conversely, debt financing declined across all borrower categories, prolonging the deleveraging process ongoing in both the public and private sectors. Specifically, net sovereign issuance turned negative in the year's second half while banks' net issuance was negative throughout (redemptions outstripping gross issue volumes).

Debt issuance contracted in year-on-year terms in the more volatile markets characterising the first two months of 2016. This decline, attributable essentially to a 25.7% drop in gross bond sales (redemptions were similar), extended to all sectors amid a challenging environment that prompted many issuers to postpone their placements. Another contributory factor was the negative comparison with the high figures of 2015, in the United States especially.



Source: Dealogic. Half-yearly data.

2.4 International stock markets

After the bullish tone of last year's closing months, world stock markets were caught up in a wave of volatility in the opening months of 2016 on gathering concerns about China and other emerging economies, falling crude oil prices and fears of a new global recession.

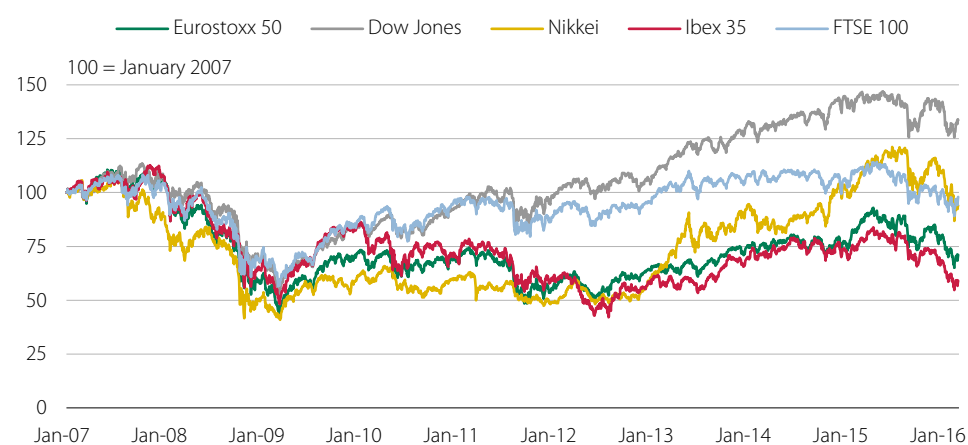
As table 6 shows, 2015 was generally a good year for leading stock indices, with gains of between 3.8% and 12.7% in Europe (only the Ixex 35 closing in losses) and a surge of over 9% in Japan. US indices performed more unevenly, the 2.2% fall of the Dow Jones contrasting with the 5.7% advance of the Nasdaq composite. In the United Kingdom, the FTSE 100 shed 4.9% over the full-year period.

All world regions shared in the price tumble of the first two months in keeping with the global nature of the downside risks. Losses ranged from the 2.3% of the FTSE 100 to the 18.4% of the Mib 30, against a backdrop of fast mounting volatility. As figure 10 shows, volatility jumped sharply in January-February 2016 after holding at

or under 20% on most indices in 2H 2015. In the case of Japan's Nikkei index, volatility readings topped the 50% mark in the middle of February.

Performance of main stock indices

FIGURE 9



Source: Thomson Datastream. Data to 26 February.

Performance of main stock indices¹ (%)

TABLE 6

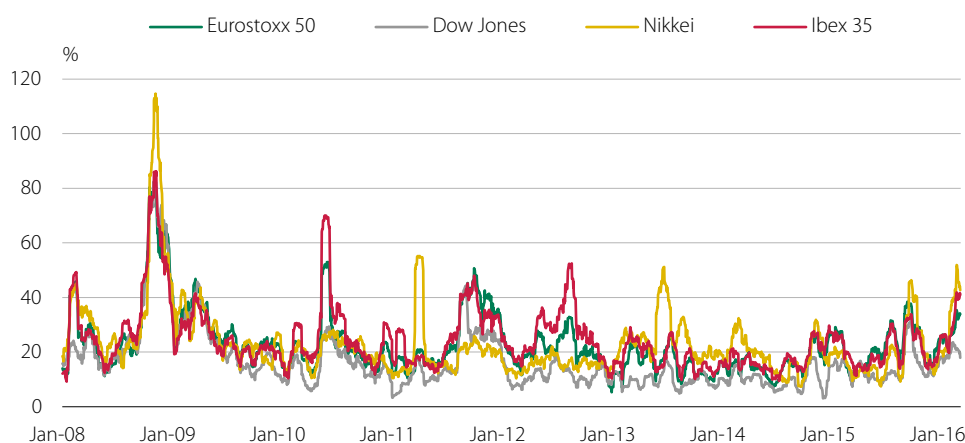
	2011	2012	2013	2014	2015	2Q 15	3Q 15	4Q 15	1Q 16 ¹
World									
MSCI World	-7.6	13.2	24.1	2.9	-2.7	-0.3	-8.9	5.1	-6.5
Euro area									
Eurostoxx 50	-17.1	13.8	17.9	1.2	3.8	-7.4	-9.5	5.4	-10.4
Euronext 100	-14.2	14.8	19.0	3.6	8.0	-4.5	-8.7	5.6	-7.0
Dax 30	-14.7	29.1	25.5	2.7	9.6	-8.5	-11.7	11.2	-11.4
Cac 40	-17.0	15.2	18.0	-0.5	8.5	-4.8	-7.0	4.1	-7.0
Mib 30	-25.2	7.8	16.6	0.2	12.7	-3.0	-5.2	0.6	-18.4
Ibex 35	-13.1	-4.7	21.4	3.7	-7.2	-6.5	-11.2	-0.2	-12.5
United Kingdom									
FTSE 100	-5.6	5.8	14.4	-2.7	-4.9	-3.7	-7.0	3.0	-2.3
United States									
Dow Jones	5.5	7.3	26.5	7.5	-2.2	-0.9	-7.6	7.0	-4.5
S&P 500	0.0	13.4	29.6	11.4	-0.7	-0.2	-6.9	6.5	-4.7
Nasdaq-Cpte	-1.8	15.9	38.3	13.4	5.7	1.8	-7.4	8.4	-8.3
Japan									
Nikkei 225	-17.3	22.9	56.7	7.1	9.1	5.4	-14.1	9.5	-14.9
Topix	-18.9	18.0	51.5	8.1	9.9	5.7	-13.4	9.6	-15.3

Source: Datastream.

¹ In local currency. Data to 26 February.

Historical volatility of main stock indices

FIGURE 10



Source: Thomson Datastream. Data to 26 February.

The dividend yields of main stock indices regained ground in the first two months of 2016 after slipping slightly in 4Q 2015. Leading the field were the UK's FTSE 100 with an increase of 2.4 points, and, some way behind, Italian index Mib 30 and the Eurostoxx 50, both of which added one full point versus December 2015. Japanese and US indices made more modest advances that left them still short of the 3% mark (see table 7), while the yield of the Ibex 35 (4.7%) stood around the mid-point in the European table.

Dividend yield of main stock indices (%)

TABLE 7

	2011	2012	2013	2014	2015	Jun 15	Sep 15	Dec 15	Feb 16 ¹
S&P 500	2.6	2.6	2.3	2.3	2.6	2.5	2.7	2.6	2.7
Topix	2.6	2.3	1.7	1.7	1.9	1.8	2.1	1.9	2.2
Eurostoxx 50	6.3	5.0	4.2	4.2	4.0	4.0	4.5	4.0	5.0
Euronext 100	5.6	4.8	4.2	4.3	4.2	4.2	4.7	4.2	4.9
FTSE 100	4.1	4.1	4.0	4.1	4.8	4.0	4.8	4.8	7.2
Dax 30	4.2	3.4	2.8	2.8	2.7	2.5	3.1	2.7	3.3
Cac 40	7.0	5.7	4.9	5.0	4.7	4.7	5.2	4.7	5.6
Mib 30	5.4	4.1	3.3	3.2	2.9	2.8	3.0	2.9	3.9
Ibex 35	6.9	5.4	4.4	4.4	3.9	4.1	4.5	3.9	4.7

Source: Thomson Datastream.

¹ Data to 26 February.

The share price slump of January-February made large inroads into the price-earnings ratios (P/E) of leading stock indices, compressing them to end-February levels that ranged from the 11 times of the Dax 30 to the 15.7 of the S&P 500 (see table 8). The P/E of the Italian Mib receded furthest (from 15.2 to 12.7), while most dropped by around or just above one percentage point. In general, multiples now stand slightly below the historical average from 2000 onwards (see figure 11).

P/E¹ of main stock indices

TABLE 8

	2011	2012	2013	2014	2015	Jun 15	Sep 15	Dec 15	Feb 16 ²
S&P 500	11.7	12.7	15.3	16.6	16.5	16.9	15.4	16.5	15.7
Topix	11.6	13.0	14.3	14.3	14.1	15.7	13.3	14.1	12.0
Eurostoxx 50	8.5	10.6	12.7	13.2	13.8	14.6	12.5	13.8	12.0
Euronext 100	9.4	11.2	13.3	14.2	15.3	16.3	14.0	15.3	14.1
FTSE 100	9.3	11.0	12.9	13.8	15.5	15.6	14.0	15.5	14.6
Dax 30	9.0	11.1	12.9	12.7	13.0	13.7	11.3	13.0	11.0
Cac 40	8.7	10.7	12.7	13.3	14.3	15.3	13.2	14.3	12.8
Mib 30	8.4	10.4	13.0	13.1	15.2	16.3	14.3	15.2	12.7
Ibex 35	9.2	11.7	14.9	14.9	14.1	16.0	13.4	14.1	12.7

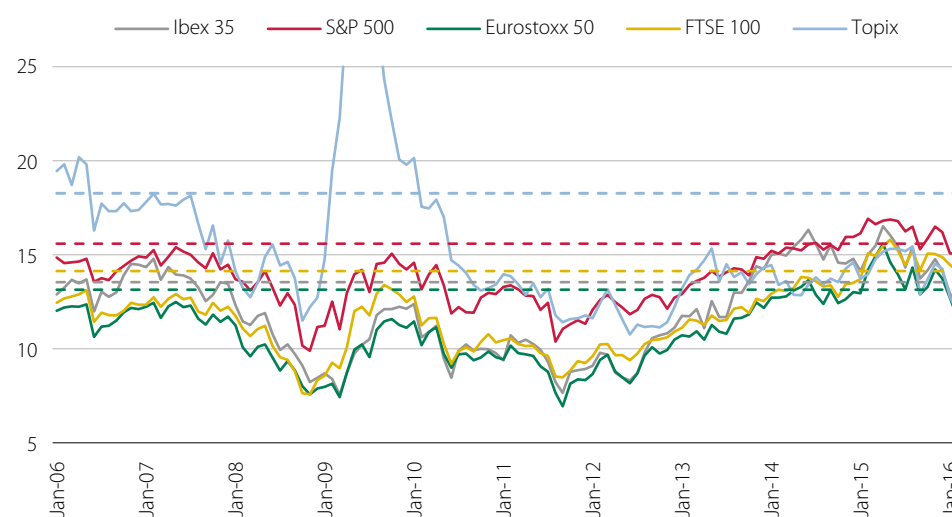
Source: Thomson Datastream.

1 The earnings per share making up the ratio denominator is based on 12-month forecasts.

2 Data to 26 February.

P/E¹ of main stock indices

FIGURE 11



Source: Thomson Datastream. Data for the last session in each month. Data to 26 February.

1 The earnings per share making up the ratio denominator is based on 12-month forecasts. The dashed lines show each index's historical average since 2000.

Among the emerging market economies, the worsening economic outlook and concerns over the performance of China, Brazil and remaining countries² hurt by fall-

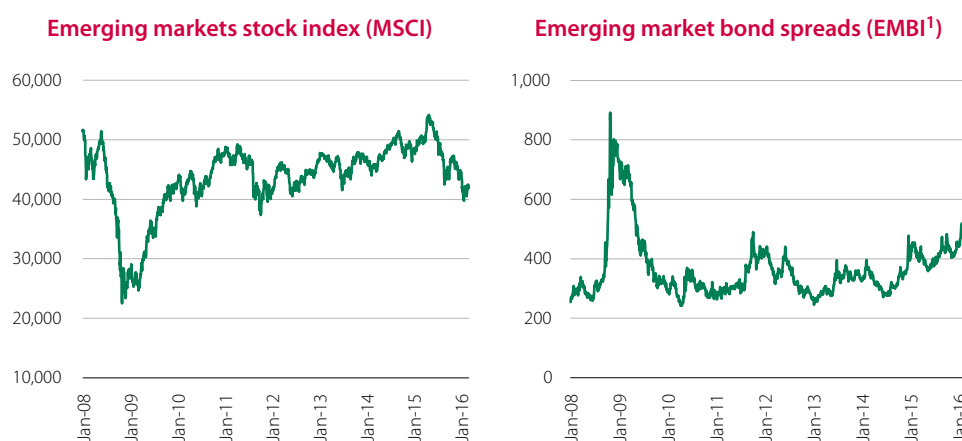
2 According to IMF forecasts published January 2016, the Chinese economy, which grew 6.9% in 2015, will continue slowing in 2016 and 2017 as far as 6.3% and 6% respectively. Brazil suffered the biggest re-verse-down in growth projections for 2016 and 2017. According to the IMF, Brazilian GDP will follow up the 3.8% contraction of 2015 with a further -3.5% in 2016 and experience flat growth in 2017. The deterioration in the country's economy was noted by S&P, which decided in February to downgrade its long-term debt from BB+ to BB, confirming its speculative (or junk bond) status. Another emerging economy going through a tough patch is Russia, whose GDP shrank 3.7% in 2015 and will lose another 1% in 2016, according to the IMF. The Fund also remarked that the risks for this scenario are tilted heavily to the downside, and that the outcome for these economies will hang on the effectiveness of their management.

ing prices of oil and other commodities have driven down share prices and pushed up risk spreads. The MSCI emerging market equity index has fallen 5.1% year to date³ and 22.1% with respect to the peak values of spring 2015, while the emerging market risk premium (as measured by the EMBI index) has widened by 40 bp⁴ and around 130 bp respectively. The EMBI spread, specifically, ended February at 486 bp and by mid-March was up to 538 bp, levels that were last seen in 2009 (see right-hand panel of figure 12).

After a 2015 performance characterised by disparities between and within regions, but with gains outweighing losses, emerging market stock indices aligned more closely in the first two months of 2016. Falls predominated among leading indices in Asia and Eastern Europe, while in Latin America losses were confined to the Brazilian index. The decline ran deepest in indices linked to the Chinese economy (21.8% for the Shanghai Composite and -11.6% for Hong Kong's Hang Seng benchmark), and other Asian indices including India (-12.2%) and Singapore (-8.1%). In Latin America, Brazil's Bovespa slipped back 4.1% on the country's economic frailty and other uncertainty factors. Finally, in Eastern Europe, the main Russian index fought back from a bad start due to falling oil prices and by end-February was again trading at the levels of the 2015 close.

Risk valuation in emerging economies

FIGURE 12



Source: Thomson Datastream and Bloomberg. Data to 26 February.

1 A country risk indicator (Emerging Markets Bond Index) computed as the difference between the yield of dollar-denominated emerging market sovereign bonds and the yield of the corresponding US bond.

3 As far as -10.6% at the end of January.

4 As far as +93 bp in mid-February.

Performance of other leading world indices

TABLE 9

	Index	2012	2013	2014	2015	2Q 15	3Q 15	4Q 15	1Q 16 ¹
Latin America									
Argentina	Merval	15.9	88.9	59.1	36.1	7.6	-15.8	19.0	10.7
Brazil	Bovespa	7.4	-15.5	-2.9	-13.3	3.8	-15.1	-3.8	-4.1
Chile	IGPA	4.7	-13.5	3.5	-3.8	-0.6	-4.9	0.5	0.5
Mexico	IPC	17.9	-2.2	1.0	-0.4	3.0	-5.4	0.8	1.2
Peru	IGRA	5.9	-23.6	-6.1	-33.4	5.2	-23.5	-1.8	8.8
Venezuela	IBC	302.8	480.5	41.0	278.1	148.9	-7.7	22.9	15.3
Asia									
China	Shanghai Comp.	3.2	-6.7	52.9	9.4	14.1	-28.6	15.9	-21.8
India	BSE	30.0	5.9	32.3	-3.2	-1.7	-4.6	0.2	-12.2
South Korea	Korea Cmp. Ex	9.4	0.7	-4.8	2.4	1.6	-5.4	-0.1	-2.1
Philippines	Manila Comp.	33.0	1.3	22.8	-3.9	-4.7	-8.9	0.8	-2.6
Hong Kong	Hang Seng	22.9	2.9	1.3	-7.2	5.4	-20.6	5.1	-11.6
Indonesia	Jakarta Comp.	12.9	-1.0	22.3	-12.1	-11.0	-14.0	8.7	3.1
Malaysia	Kuala Lumpur Comp.	10.3	10.5	-5.7	-3.9	-6.8	-5.0	4.4	-1.7
Singapore	SES All-S'Pore	19.7	0.0	6.2	-14.3	-3.8	-15.9	3.3	-8.1
Thailand	Bangkok SET	35.8	-6.7	15.3	-14.0	-0.1	-10.3	-4.5	4.3
Taiwan	Taiwan Weighted Pr.	8.9	11.8	8.1	-10.4	-2.7	-12.2	1.9	0.9
Eastern Europe									
Russia	Russian RTS Index	10.5	-5.5	-45.2	-4.3	6.8	-16.0	-4.1	0.1
Poland	Warsaw G. Index	26.2	8.1	0.3	-9.6	-1.4	-6.6	-6.7	-1.5
Romania	Romania BET	18.7	26.1	9.1	-1.1	3.1	-4.3	0.3	-7.2
Bulgaria	Sofix	7.2	42.3	6.2	-11.7	-5.6	-8.8	4.2	-3.2
Hungary	BUX	7.1	2.2	-10.4	43.8	11.2	-4.6	14.5	-1.1
Croatia	CROBEX	0.0	3.1	-3.1	-2.8	1.4	-3.0	0.2	-4.5

Source: Thomson Datastream.

¹ Data to 26 February.

According to figures published by the World Federation of Exchanges and the Federation of European Securities Exchanges, trading volumes on leading stock markets and multilateral trading facilities (MTFs) expanded strongly in 2015 on top of the growth of the previous year. In the United States, trading volumes surpassed 40 trillion euros, 27.9% more than in 2014⁵, while turnover on Japanese venues climbed 21.5%⁶ to 5.02 trillion euros. European exchanges and trading platforms also registered advances, at times nearing 30%, with BATS Chi-X Europe leading the field (+44%). The 2.86 trillion turnover of this last platform, since May 2013 a recognised investment exchange under UK legislation, puts it well ahead of other European venues including those in the London Stock Exchange group (see table 10). Figures for the start of 2016 are rather more divergent, with trading volumes up in the US and down in Europe. No set pattern has yet emerged in Asian market trading.

⁵ The increase in local currency (dollars) was 7.2%.

⁶ The increase in local currency (yens) was 15.6%.

Trading volumes on main international stock markets

TABLE 10

Billion euros

	2012	2013	2014	2015	2Q 15	3Q 15	4Q 15	1Q 16 ¹
Market operator								
United States ²	26,501	26,244	31,349	40,094	9,335.2	10,629.9	10,062.1	3,872.4
Nasdaq OMX	7,581	7,187	9,296	11,350	2,640.0	2,976.5	2,787.2	1,080.7
NYSE	10,416	10,273	12,054	15,850	3,709.4	4,245.0	3,983.0	1,503.5
BATS Global Markets - US	8,503	8,785	9,999	12,893	2,985.8	3,408.4	3,291.9	1,288.1
Japan Exchange Group ³	2,794	4,886	4,135	5,025	1,276.0	1,337.3	1,187.2	412.8
London Stock Exchange Group ⁴	1,698	1,680	2,099	2,402	640.4	607.9	520.2	189.0
NYSE Euronext	1,221	1,246	1,483	1,883	486.1	482.6	426.8	153.3
Deutsche Börse	989	1,001	1,116	1,411	354.1	367.2	315.7	113.3
BME ⁵	699	703	882	958	258.4	222.0	217.5	132.2
BATS Chi-X Europe ⁶	1,833	1,771	1,978	2,862	732.3	717.6	675.5	251.4
Multilateral trading facility (MTF)								
Turquoise	372	616	858	973	241.3	225.7	237.2	108.7

Source: World Federation of Exchanges, Federation of European Securities Exchanges and CNMV.

1 Data to 31 January except BME, to 26 February.

2 As of 2009, the sum of Nasdaq OMX, New York Stock Exchange (NYSE) and BATS Global Markets US.

3 Including figures for the Japan Exchange Group-Osaka and Japan Exchange Group-Tokyo. The merger between the Tokyo Stock Exchange and Osaka Stock Exchange was approved in July 2012. The company Japan Exchange Group was incorporated in January 2013 to operate these two platforms.

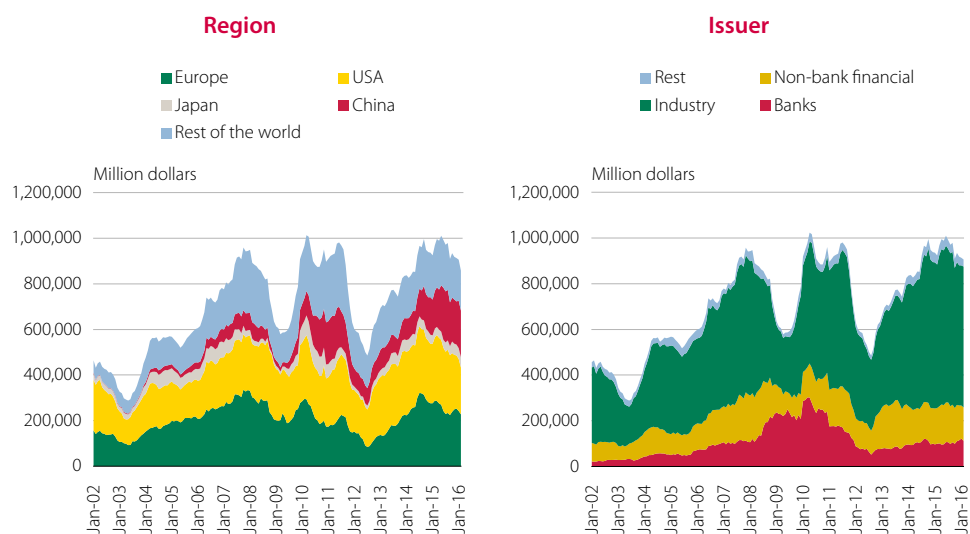
4 Incorporating Borsa Italiana as of 2010.

5 Bolsas y Mercados Españoles. Not including Latibex.

6 BATS Chi-X Europe has been a recognised investment exchange since 20 May 2013. The merger between the BATS and Chi-X Europe platforms took place in December 2011.

Equity capital raised on international markets summed 913 billion dollars over full-year 2015, 2.5% down on the total for 2014. After a busy first half, issuance slowed amid the uncertainties of the closing months to close the year with negative growth. Not all regions adhered to the same pattern; so while issue volumes receded 10.3% and 8.5% respectively in the United States and Europe, Japan and China recorded annual advances of 17.6% and 14.9%. By sector, the banks raised 26% more equity finance in 2015, while all others saw decreases on a sizeable scale – of 7.9% in the case of non-bank financial corporations and 4% among industrial firms.

The volatile climate of late 2015 has lasted through the opening months of 2016, prompting further declines in equity financing on most international exchanges and across all issuing sectors. The contraction to date has been strongest in the US and Europe, and sectorally among the banks.



Source: Dealogic. Twelve-month data to 26 February. Data for this last month are restated on a monthly basis for comparative purposes.

3 Spanish markets

3.1 Fixed-income markets

In Spain, as in other euro-area countries, domestic debt markets steered a relatively stable course through the closing stretch of 2015 and first months of 2016, and, unlike equity and other markets, eluded the turmoil unleashed by the slowdown in China and oil price collapse. This is due, in no small measure, to the calming effect of ECB monetary policy, anchored on a government bond-buying programme (quantitative easing⁷) that set euro-area yields heading sharply downwards in 1H 2015 and more smoothly from then on in. The result is that short-term interest rates in most European countries are now in negative terrain, despite the prevailing uncertainty, while long-term bonds are trading at under two percent (in the case of Germany, negative yields have already extended to the five-year tenor). In Spain, it seems that the political impasse is not impacting significantly, for the moment, on either government or corporate bond prices, though pressures may be felt if the situation persists⁸. Meantime, debt issues registered with the CNMV climbed 5.1% over full-year 2015 (to 137 billion euros) despite a fourth-quarter fall versus the same period in 2014.

Against this backdrop, government debt yields prolonged the descent traced with occasional interruptions since mid-2012, albeit with some slowing of the pace. It bears mention that in 4Q 2015 three-month, six-month and one-year Letras del Te-

7 By end-January 2016, the ECB had purchased 547.89 billion euros worth of government paper, including 62.92 billion in Spanish bonds.

8 Rating agency Moody's, for instance, left the Spanish economy's rating unchanged (Baa2) on February 19, but switched its outlook from positive to stable in view of the political instability prevailing.

soro began paying negative yields for the first time in history, after falls of 26 to 36 bp between December 2014 and December 2015 (see table 11). Yields on these three maturities continued to decline through January and February this year as far as -0.25%, -0.09% and -0.05% respectively. Corporate bond yields fell by between 24 and 49 bp over full-year 2015, though three- and six-month yields began inching higher at the start of 2016. By end-February, levels ranged from 0.33% at the shortest maturity to 0.49% for one-year commercial paper.

Short-term interest rates¹ (%)

TABLE 11

	Dec 12	Dec 13	Dec 14	Dec 15	Jun 15	Sep 15	Dec 15	Feb 16 ²
Letras del Tesoro								
3 months	1.14	0.54	0.12	-0.15	0.02	-0.09	-0.15	-0.25
6 months	1.68	0.70	0.25	-0.01	0.05	0.01	-0.01	-0.09
One year	2.23	0.91	0.34	-0.02	0.08	0.04	-0.02	-0.05
Commercial paper³								
3 months	2.83	1.09	0.55	0.31	0.27	0.29	0.31	0.33
6 months	3.58	1.36	0.91	0.42	0.35	0.34	0.42	0.46
One year	3.80	1.59	0.91	0.53	0.57	0.54	0.53	0.49

Source: Thomson Datastream and CNMV.

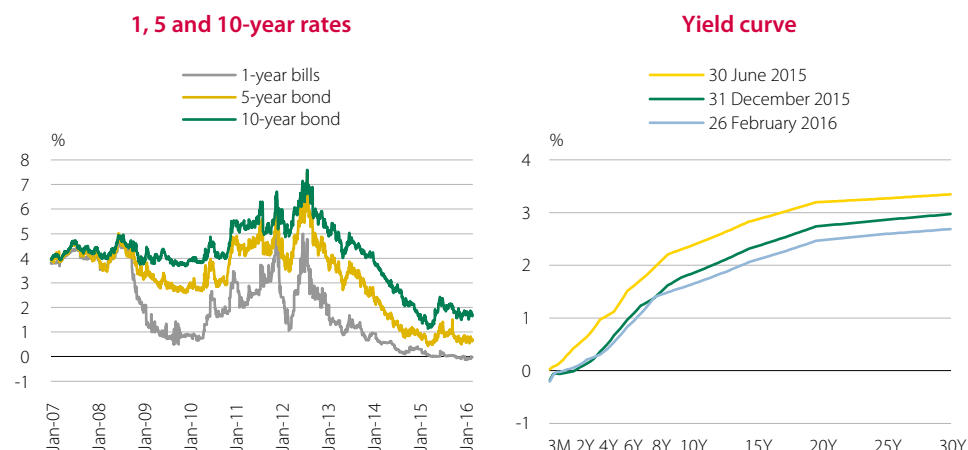
1 Monthly average of daily data.

2 Data to 26 February.

3 Interest rate at issuance.

Long-term government bond yields have been moving at historic lows in recent months. The three-year bond closed 2015 at 0.24% after an annual fall of 49 bp, and stayed broadly flat over January and February 2016 (see table 12). By contrast, yields on longer-dated instruments (five and ten years) rebounded in the middle months amid concerns about Greece's failure to reach an agreement with its creditors (see left-hand panel of figure 14), then headed back down to 24 and 5 bp respectively, lower than their start-out levels. After initial fluctuations, five- and ten-year yields descended further to 0.67% and 1.68% respectively in February 2016 (monthly averages of 0.72% and 1.72% in December 2015).

The picture was similar with corporate yields, namely an upward shift in the second and third quarters giving way to a renewed descent in the fourth. By the annual close, three-year bonds were running 18 bp below the values of end-2014 (0.66%) while five- and ten-year bonds were trading 7 bp and 8 bp higher at 1.95% and 2.40% respectively. Global uncertainties gripped harder in the opening months of 2016, lifting three- and five-year yields to 0.87% and 2.06% respectively, while ten-year yields, after dipping in January, resumed the levels of the 2015 close.



Source: Thomson Datastream and Bloomberg. Data to 26 February.

Medium and long bond yields¹ (%)

TABLE 12

	Dec 12	Dec 13	Dec 14	Dec 15	Jun 15	Sep 15	Dec 15	Feb 16 ²
Government bonds								
3 years	3.40	2.00	0.65	0.24	0.54	0.41	0.24	0.26
5 years	4.22	2.68	0.96	0.72	1.11	1.01	0.72	0.67
10 years	5.33	4.14	1.77	1.72	2.20	2.05	1.72	1.68
Corporate bonds								
3 years	4.19	2.63	0.84	0.66	1.10	1.13	0.66	0.86
5 years	4.66	2.84	1.88	1.95	2.04	2.34	1.95	2.06
10 years	6.79	4.46	2.32	2.40	2.72	2.68	2.40	2.38

Source: Thomson Datastream, Reuters and CNMV.

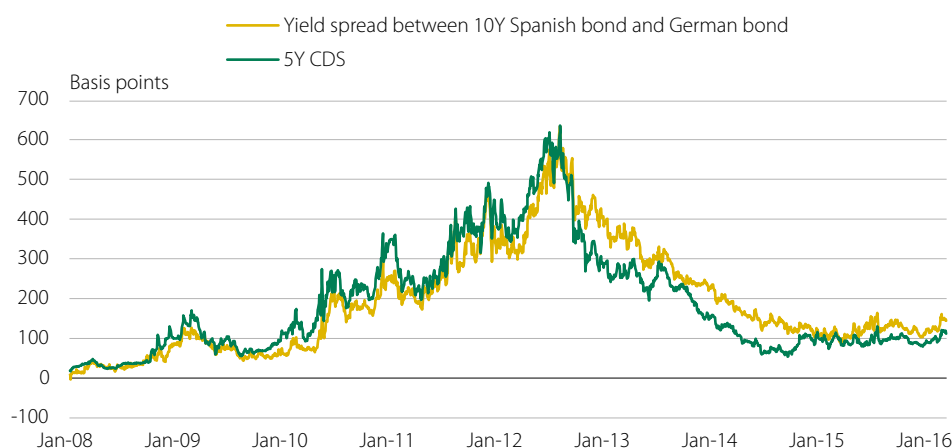
1 Monthly average of daily data.

2 Data to 26 February.

The sovereign risk premium, as derived from the CDS of the Spanish five-year bond, broke the 100 bp barrier at the start of 2016 and by the end of February was at 112 bp after a mid-month peak of 121 bp. Excluding bouts of turbulence, this 100 bp level had remained unbreached for most of 2H 2015, which ended with spreads down to 89 bp (see figure 15). The ten-year spread between Spanish and German benchmarks followed a similar pattern of spikes in the second and third quarters (with spreads surging to 160 bp in early July, having narrowed to 88 bp in the middle of March). The turmoil sweeping markets in late 2015 and the opening months of 2016 set the risk premium widening anew to 140-145 bp (115 bp in December 2015) by way of a mid-February peak of 160 bp.

Risk premium paid by Spanish issuers: Public sector

FIGURE 15

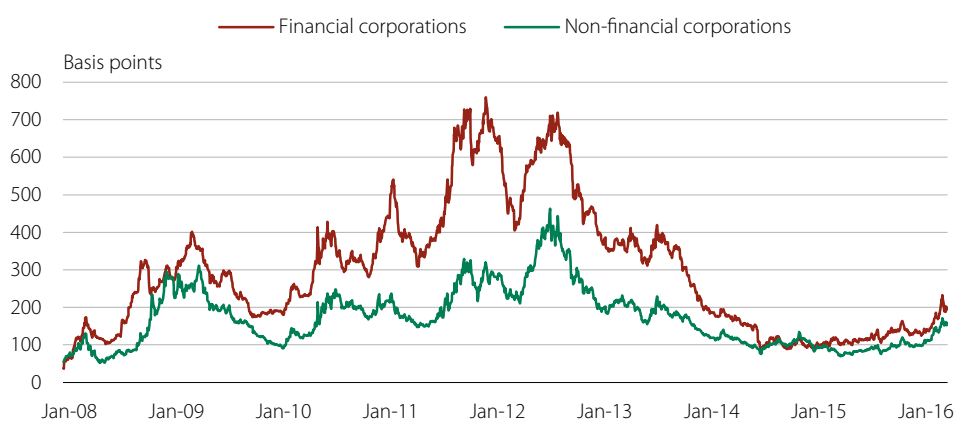


Source: Thomson Datastream and CNMV. Data to 26 February.

The CDS market spreads of Spanish corporates traced a similar path, except that the recent upturn has been much more pronounced than in the public sector, with financial institutions strongly to the fore. So while the peak levels of mid-2015 were 141 bp for financial institutions and 100 bp for non-financial corporations (101 and 92 bp at end-2014), by mid-February 2016 their respective spreads were up to 233 bp and 171 bp (note, however, that they later fell back to 173 and 152 bp respectively). What these figures show is a widening spread gap between the public and the private sector, and within the latter between financial and non-financial corporations (see figure 16).

Risk premium paid by Spanish issuers: Private sector¹

FIGURE 16



Source: Thomson Datastream and CNMV. Data to 26 February.

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

Easier financing conditions contributed to lift debt issues by 5.1% in 2015 to almost 137 billion euros, though fourth-quarter issuance, at 47.25 billion euros, was a hefty 24.2% down versus the same period in 2014. Data for the first two months of 2016 show a new change of pace, with volumes up to 24.39 billion, almost double the total for the same months in 2015 (see table 13). Note, however, that this increase traced to just one transaction.

Gross fixed-income issues registered with the CNMV¹

TABLE 13

	2012	2013	2014	2015	2015			2016
					2Q	3Q	4Q	1Q ²
NOMINAL AMOUNT (million euros)	357,830	138,839	130,258	136,907	31,006	22,019	47,249	24,394
Mortgage bonds	102,170	24,800	23,838	31,375	8,025	8,050	7,000	4,750
Territorial bonds	8,974	8,115	1,853	10,400	3,500	3,000	400	0
Non-convertible bonds and debentures	86,442	32,537	41,155	39,400	3,761	2,494	19,244	925
Convertible/exchangeable bonds and debentures	3,563	803	750	53	0	0	53	0
Asset-backed securities	23,800	28,593	29,008	28,370	11,773	1,950	11,646	15,837
Domestic tranche	20,627	24,980	26,972	25,147	9,507	1,950	10,691	14,950
International tranche	3,173	3,613	2,036	3,222	2,267	0	956	887
Commercial paper ³	132,882	43,991	33,654	27,310	3,947	6,525	8,906	2,881
Securitised	1,821	1,410	620	2,420	480	400	600	0
Other	131,061	42,581	33,034	24,890	3,467	6,125	8,306	2,881
Other fixed-income issues	0	0	0	0	0	0	0	0
Preference shares	0	0	0	0	0	0	0	0
Memorandum items:								
Subordinated debt issues	7,633	4,776	7,999	5,254	1,810	742	2,043	1,850
Underwritten issues	0	193	196	0	0	0	0	0

Abroad by Spanish issuers

	2012	2013	2014	2015	2015			2016
					2Q	3Q	4Q	1Q ⁴
NOMINAL AMOUNT (million euros)	91,882	47,852	56,736	65,602	11,822	13,132	17,697	4,712
Long term	50,312	34,452	35,281	32,362	6,355	4,557	9,082	1,144
Preference shares	0	1,653	5,602	2,250	0	0	0	0
Subordinated debt	307	750	3,000	2,918	0	0	1,418	0
Bonds and debentures	50,005	32,049	26,679	27,194	6,355	4,557	7,664	1,144
Asset-backed securities	0	0	0	0	0	0	0	0
Short term	41,570	13,400	21,455	33,240	5,467	8,574	8,615	3,568
Commercial paper	41,570	13,400	21,455	33,240	5,467	8,574	8,615	3,568
Securitised	11,590	0	0	0	0	0	0	0

Memorandum item: Gross issuance of the subsidiaries of Spanish corporations resident in the rest of the world

	2012	2013	2014	2015	2015			2016
					2Q	3Q	4Q	1Q ⁴
NOMINAL AMOUNT (million euros)	49,396	48,480	41,719	55,835	17,406	12,857	12,368	5,272
Financial corporations	18,422	8,071	9,997	15,424	6,720	3,668	2,668	1,676
Non-financial corporations	30,974	40,409	31,722	40,411	10,686	9,190	9,700	3,596

Source: CNMV and Banco de España.

1 Including those admitted to trading without an issue prospectus.

2 Data to 26 February.

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

4 Data to 31 January.

If issuance advanced in 2015 this was solely due to covered bonds in their mortgage and territorial variants, whose combined sales rose by 16 billion to 41.77 billion at the annual close (31.37 billion corresponding to mortgage covered bonds and 10.40 billion to territorial bonds). Covered instruments thus came to represent over 30% of annual issue volumes, up from 20% in 2014. Growth here reflects the demand boost and issuance cost savings provided by the ECB's programme of covered bond purchases (CBBP3), which by February 26 had summed purchases to the tune of 158 billion euros, 27% of them on the primary market. Sales of all other fixed-income instruments declined to some extent. Non-convertible bond issues (primarily by "bad bank" SAREB) raised 39.40 billion, 4.3% less than in 2014, while asset-backed securities brought in 28.37 billion, a decrease in the year of 2.2%. The amount of commercial paper issues filed with the CNMV sank by 18.8% to 27.31 billion euros. The fall, however, was more than offset by the business done abroad (principally on the Irish Stock Exchange), which raised a full-year total of 33.24 billion euros, 12 billion more than in 2014. All in all then, commercial paper issuance rose almost 10% to 60.55 billion. Conversely, foreign sales of long-term instruments reduced from 35.28 to 32.36 billion euros.

Registered issues, as noted above, have almost doubled in volume in 2016 on the surge in sales of asset-backed securities, which in just two months summed over 30% more than in the fourth quarter of 2015. Note, however, that over 80% of this volume corresponds to one issue by a financial institution. Meantime, commercial paper business was sluggish at home in contrast to its dynamism abroad. In January alone, foreign sales of these instruments brought in 3.57 billion euros against the 2.88 billion raised in Spain over the first two months.

3.2 Equity markets

3.2.1 Prices

Domestic equity markets began the year 2015 in strong form only to end it deep in losses. The Ibex 35 closed with a price slide of 7.2%, the biggest fall among all major European stock indices, against a backdrop of heightened volatility. Factors driving the decline were the unsettled state of global financial markets, unnerved by doubts about the performance of China and fears of a slowdown in the world economy, the deceleration of the emerging market economies (battered by falling oil and commodity prices), and, to a lesser extent, political instability at home.

Not all sectors and stocks were penalised to the same degree. The pressure fell heaviest on large corporations and the financial sector, as concerns grew over the latter's exposure to emerging economies (especially Brazil) and the health of European banks. Conversely, the Ibex Medium Cap and Ibex Small Cap indices, with little or no emerging market exposure, managed full-year gains of 13.7% and 6.4% respectively (see table 14). The indices grouping Latin American securities shed more value as the year advanced, with sharp second-half losses attributable to the halting progress of Latin American economies and the slump in commodity prices, particularly of oil.

The downward correction intensified in the first two months of 2016 with the Ibex 35 dropping an additional 12.5%. This was slightly more than the losses recorded on

other leading European indices, hit by mounting fears over the direction of the world economy, and emerging market economies in particular, and renewed doubts about the European financial system following the restructuring plan launched for Italy's banks. In Spain, the price slide affected all sectors and extended also to medium and small cap indices, with falls in the period of 10.2% and 10% respectively, as well as the FTSE Latibex indices of Latin American stocks.

Performance of Spanish stock indices (%)

TABLE 14

	2012	2013	2014	2015	2Q 15	3Q 15	4Q 15	1Q 16 ¹
Ibex 35	-4.7	21.4	3.7	-7.2	-6.5	-11.2	-0.2	-12.5
Madrid	-3.8	22.7	3.0	-7.4	-6.5	-11.6	-0.1	-12.4
Ibex Medium Cap	13.8	52.0	-1.8	13.7	-5.9	-5.2	5.5	-10.2
Ibex Small Cap	-24.4	44.3	-11.6	6.4	-9.7	-16.0	6.6	-10.0
FTSE Latibex All-Share	-10.7	-20.0	-16.1	-39.2	4.5	-33.6	-7.8	-8.5
FTSE Latibex Top	-2.6	-12.4	-11.1	-34.6	-1.4	-27.8	-4.9	-12.1

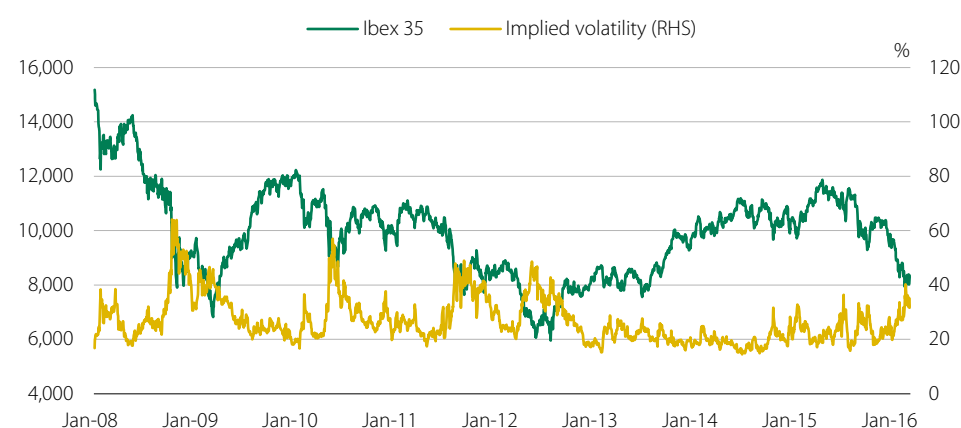
Source: Thomson Datastream.

¹ Data to 26 February.

Ibex 35 volatility eased somewhat towards the end of last year after the turbulence of the summer months only to rebound sharply at the start of 2016 to levels at times exceeding 40%. This kind of reading has not been seen since summer 2012, but is still well short of the over-50% highs reached in earlier bouts of turmoil. Year to date, Ibex 35 volatility has averaged 30.3%, ahead of both last year's average (23.3%) and the peaks coinciding with negative newsflow around Greece and China (see figure 17).

Ibex 35 performance and implied volatility

FIGURE 17



Source: Thomson Datastream and MEFF. Data to 26 February.

* Implied at-the-money (ATM) volatility on nearest expiry.

The six sectors making up the Madrid General Index (IGBM) performed unevenly over 2015. The steepest decline corresponded to financial and real estate services (-24.2%), whose negative showing through 2H 2015 intensified in the first two months of 2016 (-17.6%). Despite also losing ground (-5.2% in 2015 and -10.4% this

year to date), the technology and telecommunications sector managed to outperform the market as a whole (see table 15).

On the upside, consumer goods and services posted strong advances (30.9% and 10.4% respectively) on the gathering economic recovery. This trend was cut short in the first two months of 2016, which concluded with both sectors down to the tune of 8.8% and 9.6%. Oil and energy sector prices varied little over 2015 (0.6%), with the losses of oil stocks offset by a sturdy performance from the electric utilities. Finally, basic materials, industry and construction scraped a small advance in 2015 (2.1%), which promptly turned to losses (-10.4%) in 2016.

Performance of the Madrid Stock Exchange by sector and leading shares¹

TABLE 15

	Weighting ²	2015	2Q 15	3Q 15	4Q 15	1Q 16 ³
Financial and real estate services	37.02	-24.2	-8.5	-18.9	-5.4	-17.6
Real estate and others	0.44	18.4	-1.6	-3.1	2.6	-7.4
Banks	33.63	-26.0	-8.6	-19.4	-6.3	-17.9
BBVA	10.26	-12.0	-6.6	-13.8	-10.1	-14.4
Santander	15.74	-31.2	-8.8	-24.3	-3.0	-19.1
Oil and energy	18.09	0.6	-3.4	-7.6	5.6	-8.6
Iberdrola	8.94	19.2	0.7	0.3	10.1	-7.7
Basic materials, industry and construction	7.47	2.1	-6.0	-13.4	2.8	-10.4
Construction	4.46	4.9	-8.2	-4.3	1.9	-13.5
Technology and telecommunications	15.29	-5.2	-5.0	-10.2	-2.2	-10.4
Telefónica	10.96	-10.6	-3.8	-15.1	-2.7	-10.8
Amadeus IT	3.41	23.0	-10.5	6.9	6.4	-8.8
Consumer goods	13.35	30.9	-3.7	1.4	6.9	-8.8
Inditex	9.45	33.7	-2.4	2.7	5.9	-10.0
Consumer services	8.77	10.4	-9.9	-1.5	3.1	-9.6

Source: Thomson Datastream, Bolsa de Madrid and BME.

1 Shares capitalising at more than 3% of the IGBM, adjusted for free float.

2 Relative weight (%) in the IGBM as of 1 January 2016.

3 Data to 26 February.

Only a few IGBM shares fared better in the closing quarter than in the first-half period, and none had an impact on index performance greater than 0.30 bp. The same can be said of the two first months of 2016. Conversely, eleven shares exerted a negative impact in excess of this threshold (see table 16), notably the banks (the two largest cap groups and a majority of medium-size institutions), the biggest technology and telecommunications operator and the top listed firm in textiles, clothing and footwear.

Shares with greatest impact on IGBM change¹

TABLE 16

Share	Sector	Feb 2016	
		Impact on IGBM change (p.p.)	
Negative impact			
		/Dec 15	/Sep 15
Banco Santander	Financial and real estate services	-3.01	-3.39
BBVA	Financial and real estate services	-1.48	-2.37
Telefónica	Technology and telecommunications	-1.19	-1.45
Inditex	Textiles, clothing and footwear	-0.95	-0.45
Iberdrola	Oil and energy	-0.69	0.15
IAG	Consumer services	-0.49	-0.40
Caixabank	Financial and real estate services	-0.47	-0.58
Bankia	Financial and real estate services	-0.36	-0.42
Ferrovial	Basic materials, industry and construction	-0.34	-0.35
Banco Popular	Financial and real estate services	-0.31	-0.36
Amadeus	Technology and telecommunications	-0.30	-0.10

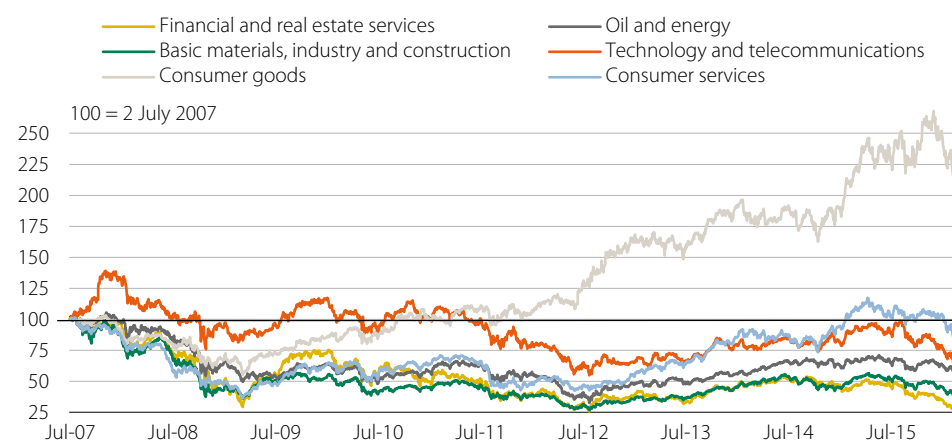
Source: Thomson Datastream and Bolsa de Madrid. Data to 26 February.

1 The shares listed are those having most impact (equal to or more than 0.3 points in absolute terms) on the quarterly change in the IGBM. The sample comprises all shares that were neither delisted nor suspended from trading at the start of the last quarter considered.

On a longer-term perspective, the consumer goods sector is trading clearly ahead of the levels in place at the start of the financial crisis (see figure 18). This sector, which has fallen sharply in 2016 (-8.8%), fared best of all in the interim years, thanks to Spain's top clothing specialist, and is currently trading at more than double its pre-crisis baseline. In consumer services, the bull run of the opening months of 2015 kept prices at or just above those of July 2007 for most of the year. However, the sector is now trading below this mark due to the ground lost in 2016. Remaining sectors continued short of the mid-2007 baseline, notably financial and real estate services which is down to below a third.

Performance by sector of the Madrid Stock Exchange

FIGURE 18



Source: Thomson Datastream. Data to 26 February.

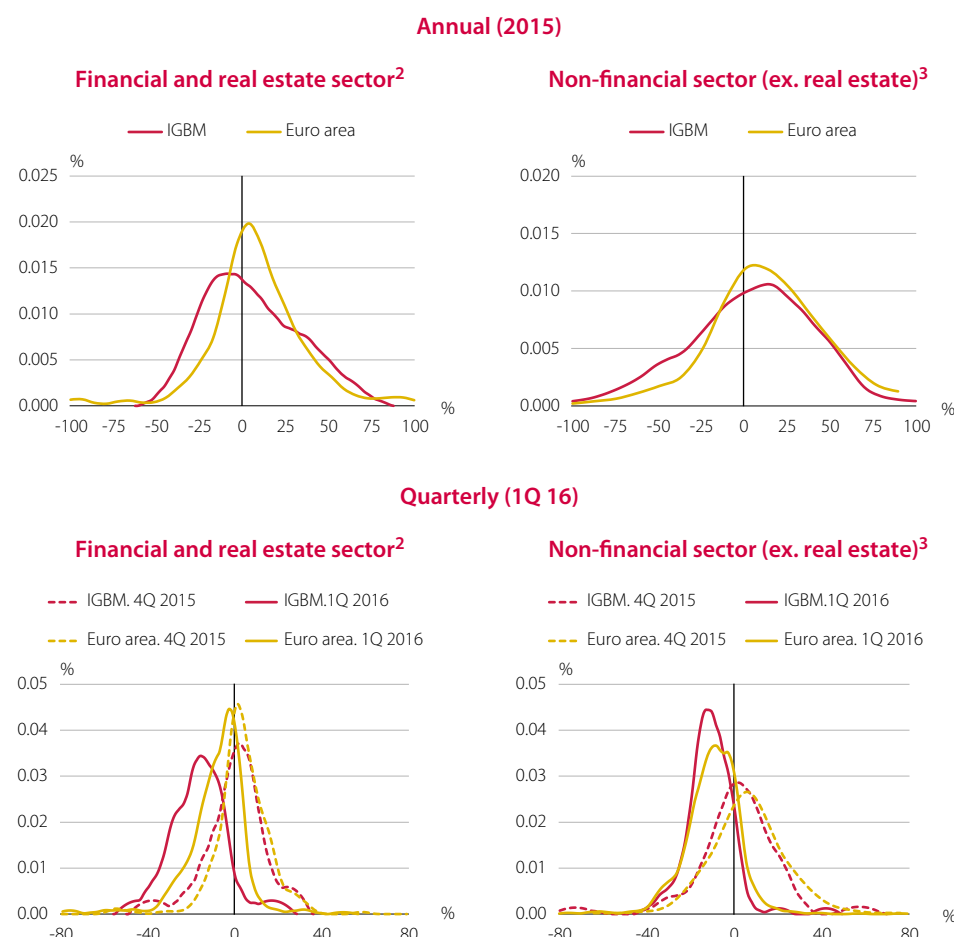
The distribution of the annual share returns of IGBM and euro-area listed companies shows that more Spanish firms experienced negative returns over full-year 2015 (see figure 19). The difference here traces to the financial and real estate sector, where over 45% of Spanish representatives obtained negative returns in 2015 com-

pared to 35% of their European peers, while the same proportions among non-financial firms stood at 34% and 26% respectively. Differences are also apparent in the scale of losses. In Spain, almost 33% of financial and real estate sector firms and 35% of non-financial corporations had negative full-year returns in excess of 10% as opposed to 15% and 26% respectively in Europe.

Moving on to the distribution of returns in the opening months of 2016, leftward moving curves point to a blanket deterioration of share returns in both areas and all sectors with respect to 4Q 2015, in line with the falling stock markets of the period. In Spain's case, the shift was broadly comparable among financial and real estate and non-financial operators, against the larger shift in Europe among non-financial corporations (see lower panels of figure 19). The smaller variation in the return distribution of euro-area financial and real estate corporations is explained by the better relative performance of some insurance and real estate firms.

Distribution of share returns¹

FIGURE 19



Source: Bolsa de Madrid and Thomson Datastream. Data to 24 February 2016.

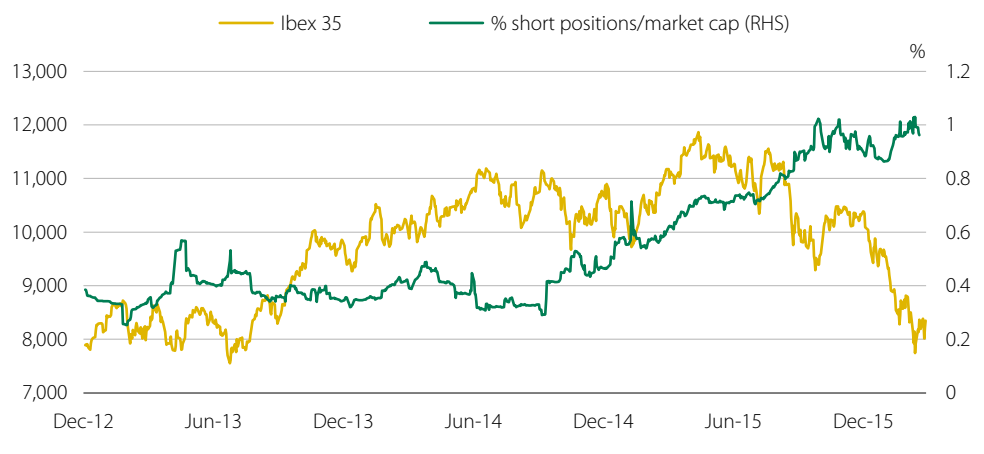
- 1 Analysis run on the companies forming each index on 24 February 2016, when the Spanish IGBM comprised 115 companies against the 1,366 of the euro-area index.
- 2 The financial and real estate sector comprises credit institutions, insurance undertakings, portfolio and holding companies, other investment service providers and real estate companies: 24 companies in Spain (21% of index members) against 299 (22%) in the euro area.
- 3 The non-financial sector (ex. real estate) comprises listed companies not included in the financial and real estate sector.

The falling share prices of 2H 2015 drove the price-earnings ratio (P/E) of the Ibex 35 to levels below those of most European indices (except for the Dax 30 and Eurostoxx 50). The multiple, specifically, closed the year at 14.1 (14.9 at end-2014) after touching 16.5 and 16 times respectively at the ends of the first and second quarters (see table 8 and figure 11). In the first two months of 2016, the P/E of the Ibex 35 slipped further to 12.7, its lowest register since mid-2013 and less than the 13.6 times average of 2000 onwards.

Short selling rose over most of 2015, presumably anticipating the share price slide that eventually came about. The increase, which gained speed in the second half as far as an aggregate short position close to one percent of market capitalisation, has continued through the first two months of 2016 (see figure 20). Although the surge in short positions extends to all sectors, we can point to significant disparities in their distribution by sector and shares, with the largest positions bunched in technology and telecommunications, the oil sector, industry and construction, and consumer services. Conversely, the consumer goods sector, comprising firms less exposed to the business cycle, was home to a reduced number of short positions, well below the market as a whole.

Ibex 35 performance and aggregate short position

FIGURE 20



Source: CNMV. Data to 26 February.

3.2.2 Activity: Trading, issuance and liquidity

Trading in Spanish shares on stock exchanges and multilateral trading facilities (MTFs) fell by 9.5% and 3.9% in the third and fourth quarters respectively amid the heightened volatility of 2H 2015. In full-year terms, however, the total stands at 1.16 trillion euros, 15.9% more than in 2014 and the highest figure of recent times. Stock market operator BME reported annual trading of 957.99 billion euros, an 8.6% increase versus 2014. As in other leading world bourses, the full-year advance was encouraged by the persistence of reduced bond yields.

Daily trading on the continuous market averaged 3.29 and 3.28 billion euros in the third and fourth quarters respectively, trailing behind the two preceding quarters and the full-year average of 3.67 billion. In the first two months of 2016, volumes sagged once more to a daily average of 3.22 billion, 22.8% less in year-on-year terms.

Trading in Spanish shares listed on Spanish exchanges¹

TABLE 17

Million euros

	2012	2013	2014	2015	4Q 15	1Q 16 ²
Total	709,902.0	764,986.6	1,002,188.9	1,161,482.8	266,113.7	171,116.9
Listed on SIBE	709,851.7	764,933.4	1,002,095.8	1,161,222.9	266,089.8	171,116.1
BME	687,456.1	687,527.6	849,934.5	925,978.7	212,179.0	129,287.6
Chi-X	16,601.3	53,396.7	95,973.0	150,139.9	33,791.6	23,135.7
Turquoise	3,519.6	11,707.9	28,497.5	35,680.5	7,458.6	7,729.1
BATS	2,261.9	10,632.1	18,671.0	35,857.6	10,513.1	7,610.0
Other ³	12.8	1,669.2	9,019.8	13,566.2	2,147.6	3,353.7
Open outcry	49.9	51.4	92.5	246.1	23.7	0.8
Madrid	3	7.3	32.6	19.4	11.0	0.6
Bilbao	8.5	0.1	14.3	7.5	4.7	0.0
Barcelona	37.7	44.1	45.2	219.1	8.0	0.1
Valencia	0.7	0.0	0.3	0.1	0.0	0.0
Second market	0.4	1.7	0.7	13.8	0.2	0.1
Memorandum items						
Foreign shares traded on BME ¹	4,102.0	5,640.0	14,508.9	12,417.7	985.7	650.6
MAB	4,329.6	5,896.3	7,723.2	6,441.7	1,720.3	806.7
Latibex	313.2	367.3	373.1	258.7	46.4	28.9
ETF	2,736.0	4,283.9	9,849.4	12,633.8	2,632.2	1,503.3
Total BME trading	698,987.5	703,768.7	882,482.4	957,990.5	217,587.5	132,277.9
% Spanish shares on BME vs. total Spanish shares	96.9	90.0	85.1	80.1	80.1	75.9

Source: Bloomberg and CNMV.

- 1 Spanish shares listed on Spanish exchanges are those with a Spanish ISIN that are admitted to trading in the regulated market of Bolsas y Mercados Españoles, i.e., not including alternative investment market MAB. Foreign shares are those admitted to trading in the regulated market of Bolsas y Mercados Españoles whose ISIN is not Spanish.
- 2 Data to 26 February.
- 3 Difference between the turnover of the EU Composite estimated by Bloomberg for each share and the turnover of the markets and MTFs listed in the table, i.e., including trading on other regulated markets, MTFs and OTC systems.

Trading in Spanish shares on other European regulated markets and MTFs, in strong expansion since 2012, reached a turnover share in 2015 of approximately 20%. The sum of transactions on these venues exceeded 235 billion euros in the full-year period, an increase of 54.6%, led by the Chi-X platform which handled a volume of over 150 billion euros (almost two thirds of external trading). Further, year-to-date figures are slightly ahead of the same period in 2015 (41.83 billion, up 1.4%), lifting the relative weight of external trading volumes to 24%.

As we can see from table 18, after raising 27.45 billion in the first six months, equity issuance slumped to around a third of that total (9.62 billion) from June to December 2015. There was just one public share offering in the period (a firm in the telecommunications sector), while capital increases brought in 8.78 billion, less than half the sum of the two preceding quarters. At 37.07 billion, full-year issuance was 13.1% higher than in 2014.

Capital increases and public offerings

TABLE 18

	2013	2014	2015	2Q 15	3Q 15	4Q 15	1Q 16
NUMBER OF ISSUERS¹							
Total	39	49	52	21	24	19	12
Capital increases	39	47	47	18	23	19	12
Public offer for subscription	5	6	0	0	0	0	0
Public offering of shares	0	4	6	3	1	0	0
NUMBER OF ISSUES¹							
Total	145	147	115	31	27	24	13
Capital increases	145	140	103	25	25	24	13
Public offer for subscription	5	8	0	0	0	0	0
Public offering of shares ²	0	7	12	6	2	0	0
CASH AMOUNTS¹ (million euros)							
Total	39,126.2	32,762.4	37,067.4	11,728.8	4,458.9	5,160.0	1,168.2
Capital increases	39,126.2	27,875.5	28,735.8	8,941.2	3,618.6	5,160.0	1,168.2
Public offer for subscription	1,742.8	2,951.5	0.0	0.0	0.0	0.0	0.0
Paid-in capital increases	9,932.8	12,650.8	9,627.8	2,647.2	1,387.9	2,749.1	931.4
Of which scrip dividend ³	9,869.4	12,573.8	9,627.8	2,647.2	1,387.9	2,749.1	931.4
Capital increases by debt conversion ⁴	7,478.8	3,757.9	2,162.5	269.2	465.6	1,015.7	31.5
Capital increases against non-monetary consideration ⁵	231.6	2,814.5	367.0	1.3	123.2	0.1	50.8
With preferential subscription rights	11,463.1	2,790.8	7,932.6	5,683.2	1,196.1	1,047.1	89.0
Without rights trading	8,277.1	2,909.9	8,645.9	340.4	445.9	348.0	65.5
Public offering of shares	0.0	4,886.9	8,331.6	2,787.6	840.3	0.0	0.0
Memorandum items: MAB transactions⁶							
Number of issuers	7	9	16	2	3	7	2
Number of issues	14	15	18	2	3	7	2
Cash amount (million euros)	45.7	130.1	177.8	6.9	28.5	133.8	7.2
Capital increases	45.7	130.1	177.8	6.9	28.5	133.8	7.2
Of which through public offer for subscription	1.8	5.0	21.6	5.0	3.8	12.9	0.0
Public offering of shares	0	0	0.0	0.0	0.0	0.0	0.0

Source: BME and CNMV. Data to 26 February.

- 1 Transactions registered with the CNMV. Not including data from MAB, ETFs or Latibex.
- 2 Transactions linked to the exercise of green shoe options are separately accounted for.
- 3 In scrip dividends, the issuer grants shareholders the right to collect a monetary dividend or to have it converted into shares in a paid-in capital increase.
- 4 Includes capital increases to meet the conversion of bonds and debentures into shares, the conversion of employee options or the execution of warrants.
- 5 Capital increases against non-monetary consideration are stated at their market value.
- 6 Transactions not registered with the CNMV.

Turning to the make-up of equity transactions, despite coinciding with the dividend season (the volume of scrip dividends rose sharply in December), this kind of issue remained in retreat vis à vis both relative weight (26% in full-year 2015 vs. 38.4% in 2014) and monetary amount (2.95 billion less than in the previous year).

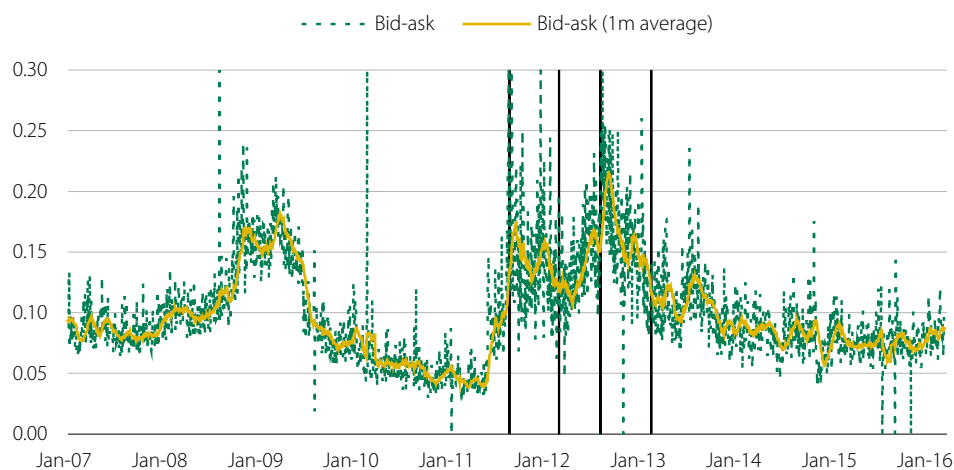
New equity issues have thinned further this year as far as 1.17 billion euros, all of it from capital increases. This marks a decline of 92.5% with respect to the same peri-

od in 2015, though note that there were two major offerings at the start of that year and that high market volatility tends to discourage these transactions.

Ibex 35 liquidity conditions, as measured by the bid-ask spread, have held relatively stable in the opening months of 2016 except for small spikes during more volatile sessions amid concerns about Europe's banking system. The bid-ask spread has fluctuated between 0.06% and 0.09% since mid-2015, below its historical average of 0.10%.

Ibex 35 liquidity. Bid-ask spread¹

FIGURE 21



Source: Thomson Datastream. Data to 26 February.

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

II Reports and analysis

Independent directors: Recent advances in the economic literature and analysis of the Spanish market

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1 Introduction

Our economy is dominated by large companies whose ownership is spread among multiple shareholders. When the owners take no part in managing the business, the managers may decide to act in their own interests at the owners' expense. This is known as the "principle-agent problem" or "agency dilemma". If an owner has a significant stake in the business, i.e. if they are controlling shareholders, the agency dilemma plays out between them and the non-controlling shareholders (Villalonga and Amit, 2006). Controlling shareholders can exercise their power over managers to force the company into transactions that are good for them but bad for the interests of their non-controlling fellow owners. This happens, for instance, when the company deals preferentially with other companies owned by the controlling shareholder. Obviously, agency dilemmas tend to create financing difficulties for companies. Few investors will be keen to place their capital in a company where the managers or controlling shareholders can, in one way or another, siphon off the resources generated by the firm. This is why a number of corporate governance mechanisms have been created to mitigate the effects of the agency dilemma. These seek to ensure that investors receive acceptable returns on their investments (Shleifer and Vishny, 1997). Such mechanisms can either be laid down in laws governing how companies are run or implemented by the companies themselves as internal systems designed to reassure investors willing to put up their capital. Among the key internal organisational mechanisms are the make-up of the board of directors, the frequency with which it meets and the committees to which it delegates various functions. The board of directors reports to the general meeting of shareholders, which has the final word on certain major decisions and has a number of mechanisms that allow shareholders to participate in these. The precise structure and workings of general meeting of shareholders and board vary from company to company, even between those of similar size or in the same sector. If we can identify which structures and working methods promote better corporate governance we would be able to make recommendations to shareholders, directors, executives and regulators.

The chairman of the board can also be chief executive of the company (Chief Executive Officer or CEO). This creates a massive concentration of power in his/her hands. On other occasions the two roles are split between different people. Economic literature on this issues shows that there may be companies where it is important to have strong leadership and rapid decision-making; high tech companies, for instance, or companies operating in a complex competitive environment (Yang and Zhao, 2014). In these cases, it would be recommended to combine the two roles. In more stable environments, research suggests that the separation of functions avoids agency dilemmas.

The board of directors is made up of executive directors, generally the top managers of the firm, who can report first-hand to the board on how the business is going. The board also includes non-executive or external directors who are uninvolved in

the company's management. The role of the latter includes helping take major decisions about the company and exercising a controlling and supervisory role over its managers. We also need to distinguish between external directors who are explicitly representing the interests of a controlling shareholder, known as proprietary directors, and those who represent the interests of non-controlling shareholders, known as independent directors.

This report focuses on independent directors. Theoretical and empirical literature, consultants, regulators and proponents of good corporate governance claim that independent directors are fundamental to making sure the board of directors is an effective decision-making body and controlling the agency dilemma. And this control function applies equally, whether the principal/agent relationship is between shareholders and managers or between controlling and non-controlling shareholders.

Recognising the importance of agency dilemmas and the potential consequences that could arise, regulators have tended to intervene by defining corporate governance codes. These may be either mandatory or voluntary. Voluntary codes consist of a number of recommendations on how companies ought to be governed. In Spain they are collected in the Unified Code of Corporate Governance (UCCG), which operates on a comply or explain basis. Listed companies must disclose whether or not they comply with the code's recommendations in an Annual Corporate Governance Report (ACGR). If they do not comply, they must explain why not. Mandatory codes are enshrined in law. For instance, the obligation for listed companies to have an audit committee is imposed by Spain's Capital Companies Act.

In Spain, the role that independent directors should play on the board has mainly been defined through a voluntary regulation in the UCCG. But this is not the case everywhere. In the USA, for instance, legislation (Sarbanes-Oxley Act) and the listing requirements of leading stock markets force companies to keep a high ratio of independent directors on their boards. For instance, the New York Stock Exchange requires that the majority of board members are independent.

Academic literature has long been interested in the role of independent directors. Pioneering studies such as that of Fama and Jensen (1983) analysed the effectiveness of external (non-executive) directors in controlling the agency dilemma and concluded that they should have a significant role on boards. Advances in data compilation, methodological improvements and a strong push by lawmakers to promote or impose their influence on boards have put independent directors at the heart of corporate governance.

In the following section, we review recent advances in economic research regarding the factors that make it desirable to have more or fewer independent directors on a board and how this fits with corporate governance standards. In the third section, we look at the advances that relate the degree of board independence with companies' results. The fourth section focuses on Spain: first we describe the code that summarises the role of independent directors and the degree of compliance among companies. Second, we analyse how far directors that companies class as independent really fulfil internationally recognised criteria to guarantee their independence. The last section discusses the points raised and presents the main conclusions to be drawn from this work.

2 Optimal independence and regulation

Academic literature sees two broad interpretations of how a board of directors should be structured. Some consider that the CEO sets the structure of the board as he/she wishes and regulation is therefore essential to solve the agency dilemma (for instance, Bebchuk and Fried, 2005). Others take the view that the board should be an efficient response to the contractual environment of the firm. This view assumes there are a set of factors at play that determine how much independence any particular company's board should enjoy to ensure it operates with maximum efficiency. In this case, regulation should consider these factors and give companies' boards the freedom to adapt and find their optimal structure. There is empirical evidence to support this latter view, as well as a number of independent theoretical works looking at specific aspects of boards and identifying the factors concerned. Some authors have christened this body of work "optimal board independence theory". It is a theoretical contribution of special significance at a time when regulations and the market are demanding ever more independence from boards of directors.

The theory concludes that greater independence does not always mean better results. Key papers in the field are Hermalin and Weisbach (1998), Raheja (2005), Adams and Ferreira (2007), Harris and Raviv (2008), and Kumar and Sivaramakrishnan (2008). All use models that analyse situations in which a company chooses the most efficient board, i.e., the structure that maximises shareholder value. In situations where the conclusion is that it is best to have a board with low levels of independence, this solution best serves the interests of shareholders. The functions of the board are simplified as far as possible to overseeing and advising the company's managers, particularly the CEO. Hermalin and Weisbach (1998) propose a model where the CEO negotiates with the rest of the board on how to replace seats as they become vacant. In this model, the board does not have perfect information on the CEO's skills and the CEO therefore gains negotiating power by producing good results. In consequence, the model suggests that the best option for shareholders is to let the CEO, assuming he/she has produced good results in the past, enjoy a supportive board.

In the Raheja (2005) model, the board of directors focuses on overseeing investment plans by the firm and decisions on CEO succession. In this case, the executive directors have better information to choose investment projects but also incentives to choose projects that benefit them rather than the shareholders. External (non-exec) directors use the replacement of the CEO as a tool to make internal directors disclose which are the best projects for shareholders. The optimal board structure in this case would be that which maximises the incentives of internal directors to identify the good projects and the ability of external directors to reject the bad proposals and minimise the costs of coordination among external directors. For instance, in a high-tech high-competition market, where it is hard to value investment projects that arise and where decisions have to be taken fast, it would be optimal to have a small board, dominated by internal directors whose interests are aligned with those of the shareholders (through share-based compensation, stock options, etc.). As it is hard to evaluate projects in these types of cases, it would be inadvisable to have external directors.

Adams and Ferreira (2007) focus on the dual role of the board as supervisor and advisor to the CEO. The CEO will always have more information than the other di-

rectors and this model looks at the value of sharing more or less of this information with the board. By sharing lots of information he/she can expect to get better advice but this also makes it easier for the board to control his/her management. The CEO is reluctant to cede supervisory control and the model proposes various ways in which the board can ingratiate itself with the CEO so that the CEO is willing to provide the information needed to enable good advice to be given. In other words, there are situations where it is preferable that internal and external directors collaborate rather than confront each other.

Harris and Raviv (2008) proposes a model where the board can be dominated by either internal or external directors but can delegate decision-making elsewhere. The board has to decide the size of investments and internal directors have incentives to choose above-optimal sizes. Internal directors have more information than externals, and the externals have to pay a cost to acquire it. In this set-up, the optimal size and structure of the board are determined by factors such as the costs of acquiring information for externals, the relevance of the information known to internals or the size of the incentive for internals to deviate from the optimal investment size.

Kumar and Sivaramakrishnan (2008) focus on directors' incentives. In their model, directors prefer not to make an effort. The board must draw up the CEO's contract, with its incentives, such that the CEO uses his/her greater information when choosing the projects that best serve shareholders' interests. Shareholders must design the directors' contracts with incentives that lead them to impose the optimal contract on the CEO.

Each theoretical model focuses on a specific aspect of the board's work. All identify the most important factors to determine the optimal independence of each board of directors. Linck, Netter and Yang (2008) construct an empirical model that brings together these determining factors and identify five key factors for establishing the optimal independence of a board for any particular company:

- Complexity of the company. For companies that run several different types of business and operate in multiple regions round the world, it is good to have specialist independent directors. Their broad reach makes it hard for executives to dominate all the key aspects of the company. If the company has a complex financial structure, for instance, due to heavy reliance on funding from international capital markets, it will benefit from the contacts of an independent director with a background in international financial centres. These are situations in which the independent director may have better information than the executive directors. In such circumstances, it is advisable to have a big board with plenty of independents.
- Costs of oversight and advice. In companies where external directors cannot supervise the internal directors it makes no sense to have them. This might be the case if the business is so complex that external directors struggle to get the relevant information that would allow them to oversee and/or advise the internal directors. Tech companies are the most commonly cited example and theoretical models suggest that in these cases it is preferable to have small, exec-dominated boards.

- Characteristics of the CEO. Shareholders have incentives to allow a good manager the freedom to act at their discretion. This means it is to their advantage that managers who have achieved good results in the past are backed by directors they like, who facilitate their work rather than obstruct it with their oversight. At the same time, a CEO can be too powerful and take decisions that run counter to shareholders' interests. In these circumstances it is useful for shareholders to empower the independent directors. For instance, if a CEO has not achieved good past results and also chairs the board, the models suggest that the best solution for shareholders is to promote the independence of the board.
- Availability of private benefits for executives. In a firm where executives can access many resources which they can appropriate for their own ends it is important to have independent directors to prevent this happening. This can occur in companies that have plentiful uncommitted cash. Jensen (1976) discusses this issue in cases where companies generate a lot of cash and have few financial commitments to meet.
- Ownership structure. When executives are also owners, their interests are better aligned with those of shareholders and, in these cases, the theoretical models suggest it is unnecessary to have so many external directors to oversee their decisions. Also, when there are controlling shareholders with substantial stakes in the company, a similar alignment of interests can be achieved by their direct participation in the company as executives or the control they exercise over the company. Ownership can also play a major role in incentivising external directors (Kumar and Sivaramakrishnan, 2008). If they have shares in the company, their role as directors has both a cost, in the form of the oversight and advisory work they put in, and a reward, in the form of gains in the value of their shares. This effectively reduces the net cost of their work. As a result, if external directors are also shareholders they will work more efficiently and the greater their stake in the firm the more relevant their contribution to the board of directors should be.

As we said, the evidence from empirical research is consistent with the theory of optimal independence. Papers including Linck, Netter and Yang (2008), Boone et al. (2007), Coles, Daniel and Naveen (2008), and Lehn, Patro and Zhao (2009) show that the determinants of optimal board structure explain much of the variation in companies' boards. These publications present evidence that companies choose a board structure that maximises shareholder value, with the optimal level of independence for the board varying in each case.

Regulation generally ignores such subtleties. In some countries there is a mandatory rule that leaves little room for manoeuvre. Others limit themselves to voluntary guidelines. In the USA, as we remarked, the Sarbanes-Oxley Act requires a majority of independent directors on the audit committee and the leading US markets such as the NYSE, with some exceptions, impose a majority of independent directors on the boards of companies wishing to list. In France and, since the last review of the Unified Code, in Spain, it is recommended that companies with widely dispersed ownership have a majority of independent directors on the board but those with more concentrated ownership should only have one third independents. In Spain it is suggested that for small companies a third of the board should be independent. In

other words, only two of the factors determining optimal board structure are considered: ownership structure, which is undoubtedly the most important in an economy like Spain's (Pascual-Fuster and Crespi-Cladera, 2015), and company size, which is some sort of proxy for a firm's complexity. Guidelines, i.e. voluntary standards, mean that companies are not forced away from their optimal structure. In countries such as Germany regulation is far more flexible. The only recommendation is that companies should set an appropriate level of independence for their boards without going further into defining what might be considered appropriate. Finally, we should highlight the case of the UK, whose corporate governance guidelines recommend a majority of independents on the board of directors except for small companies.

An independent director, by definition, should have no relationship with the company's executives or the company (apart from serving as director), or with the company's controlling shareholders. Actual rules and laws may vary, however. Voluntary corporate governance guidelines or mandatory standards on the independence of the board set more precise definitions of what is meant and what is not meant by an independent director. In Spain, the 2006 Unified Code of Corporate Governance lays out the definition cited above which was incorporated in 2014 into the Capital Companies Act.

To some extent, optimal independence theory and the accompanying empirical literature reflect the debate on what is a desirable level of flexibility for boards of directors.

3 Independent directors and company performance: The empirical evidence

Independent directors are a mechanism for corporate governance intended to ensure that decisions taken by company executives are in the best interests of shareholders. They should also ensure that controlling shareholders do not exploit their position to extract resources from the company at the expense of non-controlling shareholders. One might therefore expect that the introduction of this mechanism would improve the shareholders' returns on their investment. But, as optimal independence theory shows, a high level of board independence is not always in shareholders' interests. Early research on the relationship between independence and corporate results took no account of these factors and yielded contradictory results. Studies such as Byrd and Hickman (1992), and Cotter, Shivdasani and Zenner (1997) found a positive relationship between the independence of the board of directors and the interests of shareholders. But other research found either a negative relationship, such as Agrawal and Knoeber (1996), Klein (1998), and Bhagat and Black (2002), or no relationship at all, Hermalin and Weisbach (1991), Mehran (1995), and Ferris and Yan (2007).

Recent advances in research on corporate governance tend to consider the optimising behaviour of firms. For instance, it is consistent with the model used by Hermalin and Weisbach (1998) that companies experiencing poor results take steps to strengthen the independence of their boards. Failing to take account of this behaviour could tend to associate poor company results with independence, assuming that

they are the cause of underperformance. Finally, research that seeks to relate board independence to corporate results needs to address the issue of endogeneity. It needs to be understood that the same factors affecting board independence may also be influencing the firm's results. A clear instance is the skill of the CEO as company manager, which boosts corporate results and reduces the optimal independence of the board. Optimal independence theory identifies the determining factors and research can then address the endogeneity problem by using instrumental variables. Such variables must be correlated with board independence but not with residuals of the empirical model (must not directly affect company results), which makes them hard to identify. To address this issue, Wintoki, Linck and Netter (2012) use a GMM (Generalized Method of Moments) methodology applying lags in the explanatory variables as instrumental variables. Their method also controls for the effect of permanent unobservable characteristics in each firm, simultaneity of effects (from earnings to governance structure and vice versa) and the impact of past firm results on current characteristics of the firm's corporate governance. In this study, the authors find no relationship between a board's independence and the firm's results. This has been interpreted as meaning that firms, on average, achieve their optimal level of independence (Coles, Daniel and Naveen, 2008). Other work has tried to solve the endogeneity problem by analysing changes in independence of boards which are not motivated by past company results. Duchin, Matsusaka and Ozbas (2010) focus on changes to the degree of board independence among US companies triggered by changes in regulation to analyse the relationship between independence and earnings. Their results are consistent with optimal board independence theory. The cost to external directors of obtaining information on the company are determinant. Where these costs are low, greater independence brings better corporate earnings. Where they are high, greater independence means worse earnings. We can therefore conclude that empirical research suggests board independence adds shareholder value when it is needed and that optimal independence theory is emerging as a valid guide to the circumstances in which independent directors are helpful.

Finally, we highlight the work of Nguyen and Nielsen (2010), who analysed the impact of unexpected deaths of independent directors on companies' share price. They found that in such cases shares lose value, losing more if the deceased director's role was more significant and less if the board has many independent directors (consistent with an optimal independence level) or where doubts subsist as to the deceased director's actual independence (such as independent directors who have spent too many years in post). A noteworthy observation from this study is that it shows that it is not just the fact of being external or the firm's classification of a director as independent that counts: markets value the genuine independence of each director.

4 Independent directors in the Spanish market

4.1 Compliance with the recommendations of the Corporate Governance Code

In Spain, regulations on corporate governance began with the 1998 Olivencia Code, which set down 23 recommendations. This was voluntary regulation based on comply or explain and largely remains in force. Regarding independence of the

board of directors, the Code suggested that independent directors should be included, that external directors should be in the majority on the board and that the proportion between independent and proprietary directors should reflect the proportions of free float to shares in the hands of significant shareholders. It also advised that only independents should sit on the board of directors' control committees. In sum, the Code laid out two types of recommendation, one set referring to the presence of independent directors on the board and another to their role within it. In 2003 the Aldama Code added the recommendation that an independent director should chair the audit committee and in 2006 the Unified Code of Corporate Governance introduced a far more detailed list of 58 recommendations which further defined the role of independents. With respect to their presence on the board, it set a specific proportion of at least one third. As for their work within the board, it allocated independent directors a special role as counter-power when the CEO was also the chairman, recommending that the appointments committee should be responsible for proposing candidates for independent director to try and insulate them from the influence of the executive directors and, particularly, the CEO. It also recommended that they should be protected from arbitrary early dismissal and specified in greater detail the functions that independents should fulfil on board committees. It further introduced recommendations to shore up the independence of the independent directors, setting a 12-year limit on their term of office and a level of remuneration that would not compromise their independence. It also extended their role on committees, recommending that the chairman and a majority of members of the appointments and remuneration committee should also be independent directors. In 2013, the UCCG was reviewed, eliminating recommendations that had by then been incorporated into law and leaving it with 53 recommendations. Finally, in 2015 a new Corporate Governance Code for Listed Companies was introduced, with 64 recommendations. The new additions related to corporate social responsibility and addressed problematic issues such as incentives paid to executives which turn out to have been erroneously awarded in the light of subsequent audited figures. But the most important aspect of current regulation in corporate governance terms is its partial incorporation into law as mandatory regulations. The Capital Companies Act imports a substantial number of earlier recommendations. Having an independent director with special powers to act as counterweight to CEOs who also chair the board is now a legal obligation. As is the proposal of independent directors by the appointments committee. Composition of audit and appointment and remuneration committees were also included in the Act, with a minimum of two independent directors and mandatory independent chairman. On independent directors, the 2015 Code largely retained previous recommendations, the main difference being an increase in the proportion of independents on the board from one third or more to half or more in large companies with widely dispersed ownership. For other companies it continued to recommend one third. In general, the recommendations follow the trend of recommending an ever greater role for independent directors on board committees. For instance, it is now advised to have a majority of independents on the audit committee.

One final point to note about Spanish regulations concerns the definition of what exactly constitutes independence. Early codes defined it generically. The Unified Code of Corporate Governance of 2006 introduced binding definitions, including one for an independent director. It specified points such as that directors who were

not proposed by the appointments committee could not be listed as independent by the company. Companies, in sum, were at liberty to decide the degree of independence of their boards but had to apply the binding definitions when reporting on their directors. This definition was ultimately imported into the Capital Companies Act, which forced companies to abide by it. In the years before its recommendations were promoted to law, annual corporate governance reports by companies listed on the Spanish stock market disclosed the degree of voluntary compliance with corporate governance recommendations on independent directors. Standardisation of the reports meant that the information they contained can be treated as homogeneous. 2007 was the first year when annual corporate governance reports started to record compliance with Code recommendations and 2012 is the last year considered in this study.

The sample is composed of all listed companies that filed annual corporate governance reports in the standard format with the CNMV. In total, there are 744 observations, from 135 companies in 2007 falling to 116 in 2012.

We analysed compliance with the recommendations on independent directors contained in the 58 points of the 2006 UCCG (in force during the analysis period). Table 1 panel B shows the recommendation numbers, a brief summary of their content (for full content see the UCCG at www.cnmv.es), grouped, as in the code, by those that refer to directors and those that refer to board committees. Panel A shows the average percentage compliance with the 58 recommendations of the Code over the years and the companies are grouped by size and degree of compliance. These two comparisons have been based on the first and last quartile of each year within the companies ranked by market capitalisation and degree of overall compliance with the 58 recommendations.

An initial striking point is the increasing declared level of Code compliance, rising from 72.8% in 2007 to 78.9% in 2012. Also, large-cap companies comply better than smaller caps, suggesting that smaller companies find the Code harder to adopt and so, probably, it is less well suited to their characteristics.

The degree of compliance with Code recommendations that deal specifically with independent directors remained stable over the analysis period. This was true of the recommendations for board structure – R13, that at least a third of board members should be independent directors, and R10, that the majority of the board should be external directors – which is consistent with the presence of companies whose optimal board independence is lower than the recommended third. We note that, on average, larger companies accepted more of the recommendations on independent directors, with the exception of the 12-year term limits (R29), protection against early dismissal (R31) and independent chairmen and exclusively external membership of committees (R44). The positive correlation between compliance with recommendations on independent directors and compliance with all 58 recommendations is indicative of their contribution to general compliance with the recommendations.

Independence: Recommendations by year, size and compliance

TABLE 1

The table shows the degree of compliance with the recommendations of the 2006 Unified Code of Corporate Governance. Panel A shows the average percentage compliance with the Code's 58 recommendations, the percentage of recommendations complied with in full, in part or not at all and whether the companies state that they are not applicable. Panel B shows the percentage of companies that comply with each of the recommendations referring to independent directors. In both panels, information is broken down by year, company size and average degree of compliance with recommendations. In both cases results are shown for the first and last quartile of companies, the quartiles being determined each year. Data is based on 135 companies in 2007, 130 in 2008, 124 in 2009, 120 in 2010, 119 in 2011 and 116 in 2012.

	Year				Market cap quartiles 1 and 4		Average compliance quartiles 1 and 4		Total
	2007	2009	2011	2012	High	Low	High	Low	
Panel A: Average percentage of									
Compliance	72.8%	74.9%	78.0%	78.9%	80.3%	72.4%	88.0%	58.7%	75.8%
Partial compliance	8.9%	8.3%	6.2%	5.7%	6.7%	7.1%	3.0%	13.2%	7.6%
Non-compliant	10.1%	8.6%	7.6%	7.1%	6.8%	10.5%	3.2%	17.0%	8.5%
Not applicable	8.2%	8.2%	8.1%	8.3%	6.1%	10.0%	5.8%	11.1%	8.2%
Panel B: Recommendations - % of fully compliant companies									
BOARD OF DIRECTORS									
10 Majority of externals	91.9%	89.5%	89.1%	88.8%	98.4%	83.3%	98.5%	77.2%	89.7%
12 Proportional to proprietary vs. independents	79.3%	79.0%	78.2%	81.0%	80.6%	71.5%	96.6%	64.3%	79.7%
13 Over 1/3 independents	54.8%	50.0%	56.3%	54.3%	63.4%	48.9%	80.0%	26.9%	53.6%
17 Independent counterpower if CEO is chairman	25.9%	32.3%	35.3%	35.3%	38.2%	26.9%	49.3%	15.2%	32.1%
DIRECTORS									
27 Independent proposal by ARC	88.9%	91.9%	95.0%	95.7%	95.2%	90.9%	99.0%	73.7%	92.7%
29 Independents' term capped at 12 years	64.4%	70.2%	68.9%	66.4%	64.0%	75.8%	72.2%	46.8%	68.1%
31 Independents protected from early dismissal	85.2%	85.5%	89.1%	90.5%	83.3%	87.6%	92.7%	68.4%	86.7%
36 Variable remuneration limits for non-execs	80.0%	81.5%	81.5%	82.8%	91.9%	68.8%	97.6%	52.6%	81.3%
37 Remuneration of externals preserves independence	96.3%	98.4%	98.3%	99.1%	100.0%	98.4%	100.0%	93.6%	98.3%
COMMITTEES									
44 Audit Committee and ARC have only externals and independent chairman	44.4%	54.0%	62.2%	64.7%	55.9%	61.3%	84.4%	29.2%	55.8%
55 ARC, majority independent	48.9%	51.6%	56.3%	56.9%	61.8%	59.1%	83.4%	33.3%	53.5%

The consumer goods and materials, industry and construction sectors are generally less compliant overall with the 58 Code recommendations. They are also less compliant with the recommendations on independent directors. At this high level of sector grouping, there is some evidence for structural differences between sectors. Reading this in light of optimal independence theory would suggest there are information asymmetries between internal and external directors or that the nature of their activities does not demand high levels of independence on the board. In any case, a much more in-depth analysis would be required to draw solid conclusions on this point.

Regarding ownership structure, we calculated the averages for each quartile of companies ranked by the percentage holding of the leading shareholder taken as a measure of ownership concentration, which correlates closely with ownership by the top three (91%) and top five (83%) shareholders. Table 2 shows the percentage compliance by companies in the first and last quartiles, in which the leading shareholders own on average 69% and 8.9% of the companies, respectively. Note that companies where ownership is highly concentrated and those where it is dispersed are similar in their degree of compliance with the 58 recommendations. Compliance with the recommendations on independent directors follows the same pattern. Only the recommendations on the presence and work of independent directors on board committees (R44 and R55) were better accepted among companies with a broader ownership base. Interestingly, for all these recommendations on the presence of independent directors (R10, R13, R44 and R55), compliance was better among the more broadly owned companies. This is consistent with optimal independence theory which suggests there is less need for independence in companies where ownership is concentrated.

Finally, we highlight the substantial discrepancy in how far companies accepted each of the recommendations on independent directors. By far the least accepted was the recommendation giving special powers to an independent director when the CEO also chaired the board (R17). But given that in many cases the CEO was not chairman, this recommendation did not apply to many companies. Looking only at those with a combined Chairman/CEO, percentage compliance rises to 54%. The other recommendation that stood out for its lack of acceptance was for a third of independent directors on the board (R13). It was precisely these two recommendations that were radically overhauled in 2015. The first was made mandatory by the Capital Companies Act. The second saw the recommended proportion of independents raised from a third to half the board for large companies with disparate ownership. That said, this latest change to regulations took account of the data in tables 1 and 2, which show concentrated ownership and smaller companies to be least compliant with the recommendation on minimum numbers of independent directors on the board and left the recommended percentages unchanged for these two groups of firms. Recommendations on the presence and role of independent directors on board committees (R44 and R55) were the next-lowest in their degree of acceptance. The Capital Companies Act made part of their content mandatory.

Regulatory moves toward making mandatory the degree of independence enjoyed by the CEO may not be consistent with the arguments of optimal independence theory. If companies adopt governance structures consistent with their optimal degree of independence, such a regulatory trend would force them away from the optimal and be bad for shareholders. If, on the other hand, companies have an unresolved agency dilemma and the board of directors is part of the problem rather than the solution (Bebchuk and Fried, 2005) such intervention creates value for shareholders. Probably, both cases apply in different firms and knowing which is the case when would demand more research on the independence of boards of directors in Spain.

The table shows the degree of compliance with the recommendations of the 2006 Unified Code of Corporate Governance. Panel A shows the average percentage compliance with the Code's 58 recommendations, the percentage of recommendations complied with in full, in part or not at all and whether the companies state that they are not applicable. Panel B shows the percentage of companies that comply with each of the recommendations referring to independent directors. In both panels, information is broken down by industrial sector and quartile of companies ranked by the percentage ownership of their biggest shareholder. Results are shown for the first and last quartile of companies, determined each year. Data is based on 135 companies in 2007, 130 in 2008, 124 in 2009, 120 in 2010, 119 in 2011 and 116 in 2012. Sector classification is by the Madrid Stock Exchange.

	Industrial sectors						Holding of leading shareholder quartiles 1 and 4		
	Oil and energy	Materials, industry and construction	Consumer goods	Consumer services	Financial and property services	Technology and communications	Concentrated ownership	Dispersed ownership	
Panel A: Average percentage of									
Compliance	77.6%	74.9%	71.3%	77.8%	77.8%	81.7%	77.2%	76.8%	
Partial compliance	8.1%	7.9%	8.6%	8.1%	6.1%	5.7%	7.1%	6.6%	
Non-compliant	7.0%	8.9%	10.4%	5.8%	8.7%	6.0%	7.1%	8.8%	
Not applicable	7.3%	8.3%	9.7%	8.2%	7.4%	6.6%	8.6%	7.7%	
Panel B: Recommendations - % fully compliant companies									
BOARD OF DIRECTORS									
10	Majority of externals	94.0%	94.1%	81.1%	91.2%	88.6%	100.0%	85.6%	93.5%
12	Proportional to proprietary vs. independents	95.5%	81.1%	62.3%	96.1%	80.7%	76.9%	82.4%	79.3%
13	Over 1/3 independents	74.6%	41.1%	50.3%	49.0%	57.4%	87.2%	55.6%	60.3%
17	Independent counterpower if CEO is chairman	28.4%	41.1%	34.9%	18.6%	31.3%	23.1%	32.1%	29.3%
DIRECTORS									
27	Independent proposal by ARC	98.5%	87.6%	90.9%	95.1%	94.9%	100.0%	96.8%	90.8%
29	Independents' term capped at 12 years	88.1%	63.2%	57.7%	81.4%	65.3%	82.1%	72.2%	57.1%
31	Independents protected from early dismissal	98.5%	91.9%	74.3%	100.0%	79.0%	97.4%	81.8%	90.8%
36	Variable remuneration limits for non-execs	85.1%	74.6%	80.0%	87.3%	84.1%	84.6%	86.6%	81.0%
37	Remuneration of externals preserves independence	98.5%	98.4%	98.9%	100.0%	96.0%	100.0%	95.7%	98.4%
COMMITTEES									
44	Audit Committee and ARC have only externals and independent chairman	43.3%	62.7%	50.3%	58.8%	52.8%	74.4%	41.7%	65.8%
55	ARC, majority independent	67.2%	43.8%	56.6%	35.3%	59.1%	84.6%	52.4%	68.5%

4.2 The independence of independent directors

Although corporate governance guidelines set mandatory or voluntary degrees of independence and define to differing degrees of precision what is understood to be an independent director, companies have some leeway to interpret guidelines or recommendations. They can comply with the letter of the code's independence definition while still appointing directors who do not in practice act as independents. In the USA for instance, Hwang and Kim (2009) and Fracassi and Tate (2012) scrutinised the social relationships between the CEO and independent directors in search of affinities, such as coming from the same region, going to the same social clubs or having studied the same MBA course. They show that these informal links tend to weaken the board's control over the CEO to the detriment of shareholders' interests. Cohen, Frazzini and Malloy (2012) find evidence that it is common to appoint as

independent directors former analysts who published wrong and overly optimistic forecasts for the company. Companies that do this also stand out for their poor corporate governance practices. Even so, in all the cases analysed the formal definition of an independent director in the regulations was complied with.

In other cases, independent directors may fail to meet the recommended definition or use loopholes in the law to meet it only in appearance. In Italy, Santella, Paone and Drago (2006) and Santella, Drago and Paone (2007) found that companies do not publish enough information to check whether their directors complied with the formal independence criteria. In Spain, we ourselves, in Crespí-Cladera and Pascual-Fuster (2014), looked at the standardised content of annual corporate governance reports seeking data that would help assess the real independence of directors that companies claimed as independents. Taking the definitions in the NYSE listed company manual, the European Commission's recommendation of 15 February 2005 on the role of non-executive directors and the UK corporate governance code of 2012, as well as Spain's 2006 Single Corporate Governance Code, we defined eight measurable criteria for each independent director. Note that many directors who would struggle to meet these international criteria are nonetheless commonly claimed as independent. That said, in our work we found no negative impact on corporate governance practice from having directors who fell short of the strict independence criteria. Later, in Pascual-Fuster and Crespí-Cladera (2015), we analysed the role of optimal independence theory to explain the presence of this type of independent directors and found that companies pay little heed to compliance with formal independence requirements. Both compliant and non-compliant independent directors met the determinants for optimal independence as though, in some form, all helped to generate independence in the board of directors. Companies benefiting from more independence had more independents of both types.

We present below, applying the same criteria, an updated description of compliance with independence criteria over the years, showing how it varies with company size, sector, compliance with the 58 regulations of the single corporate governance code and ownership structure. In this analysis we drew on information from the standardised corporate governance reports that the CNMV has published since 2004. The sample has 1,107 observations, starting with 118 companies in 2004 and ending with 116 in 2012.

The criteria for independence against which we tested the information in the corporate governance reports were as follows:

1. The director had been proposed by the board of directors' appointments committee. Shivdasani and Yermack (1999) detail empirical evidence showing how when this committee is absent the CEO tends to influence the appointment of independents.
2. The director has been in office for no more than twelve years. This is a recommendation from the Spanish 2006 Code which has now been incorporated into the binding definition of an independent director.
3. No significant trading or financial transactions that would result in a transfer of resources or obligations between the independent director and the company or group where he/she serves.

4. The director must not be a director, executive or employee of any company that is a significant shareholder in the company where he/she serves as independent director.
5. No significant relationships of any other type with significant shareholders in the company where he/she serves as independent director.
6. The director must not be a director or executive in subsidiaries or associates of the company where he/she serves as independent. Spanish law differs in its binding definition on this point, allowing independents to serve as non-executive directors of group companies.
7. The director cannot be a legal entity. In Spain a company can be a director provided it is represented on the board by a natural person.
8. The director cannot have been an executive director with the company in the previous four years.

Table 3 shows the structure of the board, its size and concentration of power in the CEO's hands, all fundamental aspects to assess the CEO's position vis-à-vis the board and the board's degree of independence. Clearly, chairing the board considerably enhances the CEO's power, as does the presence of executives in the meetings. Board size is an additional factor in CEO power, raising problems of coordination and, as a result, of its effectiveness as an oversight body (Yermack, 1996). Panel A of table 3 shows that combining the posts of CEO and chairman of the board is a stable and majority practice among reporting companies. The size of the board was also stable over the period at around eleven, with the type of directors being similarly unchanged. Independent directors make up about a third of the total, executive directors twenty percent and proprietary directors over forty per cent.

That said, when we look solely at those independents meeting our eight formal criteria for independence we find a changing pattern over the years. In 2004, a minority of putatively independent directors met all eight. By 2012, however, only 9.6% of directors declaring themselves independent failed to fulfil one or more of the criteria. Filtering companies by market capitalisation (panel B, table 4) shows that large caps report having a higher proportion of independents although the practice of appointing independents who fall short on some of the criteria is shared equally among large and small firms. Companies who generally comply with more of the Code's recommendations declare, on average, a higher number of independent directors, although a high proportion of these (55% of independent directors) fail to meet at least one of our independence criteria. Companies with low concentration of ownership, as might be expected, report a greater percentage of independent directors, but half of these fall short on our criteria compared to around forty per cent for companies with concentrated ownership. Finally, panel C of table 3 breaks down data by sector. The same sectors stand out again: consumer goods and basic materials, industry and construction. In these it is more common that the CEO should also chair the board, boards are generally smaller and there is a much higher proportion of supposedly independent directors who fail to meet one or more of our independence criteria (52% and 54%, respectively). Remember that these were the sectors that had the greatest difficulty achieving the independence standards set out in the corporate governance code (table 2).

Structure of the board of directors: Formal independence

TABLE 3

The table shows the percentage of companies where the CEO chairs the board of directors, the average number of directors on the board and the percentage of these reported as independent by the company alongside the percentage that meet the eight independence criteria we analysed (based on international standards) and the percentage that don't. We also show the percentage of executive, proprietary and "other" directors. Panel A shows the change over time. Panel B compares the first and last quartiles of companies ranked by market cap, by compliance with the 58 recommendations of the Unified Code of Corporate Governance and by percentage stake of their leading shareholder. Quartiles are for each year. Panel C shows data by sector. Sector classification by the Madrid Stock Exchange. Data is based on 118 companies in 2004, 119 in 2005; 126 in 2006; 135 in 2007; 130 in 2008; 124 in 2009; 120 in 2010; 119 in 2011, and 116 in 2012.

Panel A: by year	Year					Total
	2004	2006	2008	2010	2012	
CEO is chairman	51.7%	59.5%	62.3%	60.0%	53.4%	57.5%
No. directors	10.9	10.9	11.3	11.3	10.9	11.1
Of total no. of directors						
% declared independent	33.2%	32.2%	32.4%	34.2%	35.9%	33.3%
% independents meeting all criteria	8.3%	10.7%	18.8%	23.7%	26.3%	17.7%
% independents not meeting a criteria	24.8%	21.6%	13.6%	10.5%	9.6%	15.5%
% executive	21.1%	21.1%	19.3%	18.4%	18.0%	19.5%
% proprietary	42.5%	42.7%	43.4%	42.4%	39.8%	42.6%
% other	3.2%	3.9%	5.0%	9.8%	5.4%	5.7%
Panel B: by group	Market cap		Compliance with 58 recommendations		Holding of leading shareholder	
	High	Low	High	Low	High	Low
Of total no. of directors						
% declared independent	39.2%	32.2%	37.0%	23.4%	29.7%	40.3%
% independents meeting all criteria	23.1%	15.5%	16.6%	12.9%	17.6%	18.9%
% independents not meeting a criteria	16.2%	16.8%	20.4%	10.5%	12.1%	21.4%
Panel C: by industrial sector	Sector					
	Oil and energy	Materials, industry and construction	Consumer goods	Consumer services	Financial and property services	Technology and communications
CEO is chairman	51.6%	66.7%	59.5%	42.7%	58.4%	49.2%
No. directors	13.6	10.8	9.4	11.6	11.6	11.8
Of total no. of directors						
% declared independent	39.9%	29.1%	33.0%	32.5%	32.8%	47.5%
% independents meeting all criteria	29.3%	14.0%	15.2%	18.0%	17.4%	28.8%
% independents not meeting a criteria	10.6%	15.1%	17.8%	14.6%	15.5%	18.7%
% executive	12.7%	18.7%	21.9%	21.3%	20.1%	16.8%
% proprietary	43.9%	47.8%	40.9%	43.6%	39.9%	32.9%
% other	3.6%	6.2%	5.3%	3.2%	8.1%	4.0%

On our analysis, then, the practice of listing as independent directors who are not strictly independent is common to all types of company: large or small, with concentrated or dispersed ownership, from any sector and even among companies that report the best compliance with the 58 Code recommendations.

Table 4 shows the percentage of independent directors that companies list in their annual corporate governance reports and what percentage of these fail to meet each of the eight independence criteria. The most-breached independence criteria were the proposal of directors by the appointments commission, the 12-year limit on terms of service and the exclusion from holding posts in group companies. The first of these was barely complied with at all in 2004. However, companies included it in their governance guidelines and by 2012 there were few independent directors who had not been proposed by the appointments committee (panel A, table 4). The long-service criterion became more significant over the period under review and was increasingly ignored by companies. But recent regulations making it mandatory under the Capital Companies Act will presumably bring a cull of independent directors with over twelve years' service. The existence of independent directors with posts in group companies could be because Spanish regulations accept independents serving as non-execs in the group, although this is not approved of internationally.

If we compare differently sized companies (panel B, table 4) we see how the requirement on the appointments committee is particularly relevant to small companies, where 39.1% of independent directors fail to meet it, whereas both of the other two much-breached criteria flag up more "dubious" independents at large companies. Companies claiming to be most compliant with corporate governance recommendations tend to have more independents in breach of the criteria on appointment committee proposal and the prohibition on in-group jobs. Companies with widely dispersed ownership, to which the independence recommendations seem better suited, have the highest number of not-strictly independent directors on the three most relevant criteria. Finally, panel C of table 4 shows the same data by sector. There are differences in the companies with most non-strictly independent directors for each criteria, but consumer goods and basic materials, industry and construction again score high on the problematic criteria. In the materials, industry and construction sector, many independents fail on the grounds of related party transactions.

By this analysis, we are trying to cast a fresh light on why certain types of company struggle to incorporate best practice on independent directors. The 12-year limit, now mandatory by law, stands out with a notable fall in the real level of independence on boards once the long-servers are stripped out of the count. Accordingly, a rigorous application of the new regulations, by recommending greater representation of independent directors on the board, will involve a greater effort than might have been expected. Not only will companies be pushed to boost the percentage of sitting independents but they will also have to replace some whom they have previously listed as independent.

Analysis of the eight criteria for formal independence

TABLE 4

This table shows the percentage of independent directors on the board of directors as reported by companies and the percentage that fail to comply with our eight independence criteria. The table shows the number of criteria and a brief description of its content. Panel A shows the change over time. Panel B compares the first and last quartiles of companies ranked by market cap, by compliance with the 58 recommendations of the Unified Code of Corporate Governance and by percentage stake of their leading shareholder. Quartiles are for each year. Panel C shows data by sector. Sector classification by the Madrid Stock Exchange. Data is based on 118 companies in 2004, 119 in 2005; 126 in 2006; 135 in 2007; 130 in 2008; 124 in 2009; 120 in 2010; 119 in 2011, and 116 in 2012.

Panel A: by year	Year					Total
	2004	2006	2008	2010	2012	
% declared independent	33.2%	32.2%	32.4%	34.2%	35.9%	33.3%
% of declared total who are non-compliant with						
All 8 criteria	74.9%	66.9%	42.1%	30.8%	26.6%	46.7%
1. Proposal by ARC	62.8%	50.3%	18.9%	4.2%	1.3%	25.4%
2. 12-year term limit	12.0%	14.2%	14.3%	14.7%	14.9%	14.4%
3. Related-party transactions	4.5%	7.0%	6.6%	5.8%	4.1%	5.7%
4. Related to significant shareholder	2.0%	1.0%	0.8%	0.8%	0.7%	1.2%
5. Other relationship with significant shareholder	1.7%	0.9%	1.0%	0.5%	0.2%	0.9%
6. Post in group company	18.3%	14.4%	12.6%	11.6%	10.8%	13.0%
7. Legal person	1.9%	2.8%	3.3%	3.7%	3.0%	2.9%
8. Former executive	0.0%	0.5%	0.3%	0.5%	0.0%	0.3%

Panel B: by group	Market cap		Compliance with 58 recommendations		Holding of leading shareholder	
	High	Low	High	Low	High	Low
% declared independent	39.2%	32.2%	37.0%	23.4%	29.7%	40.3%
% of declared total who are non-compliant with						
All 8 criteria	41.2%	52.0%	55.0%	44.8%	40.8%	53.0%
1. Proposal by ARC	16.9%	39.1%	34.5%	22.7%	23.1%	25.2%
2. 12-year term limit	13.4%	9.8%	13.1%	22.6%	10.3%	16.6%
3. Related-party transactions	4.3%	2.0%	7.5%	1.9%	5.3%	5.8%
4. Related to significant shareholder	0.6%	1.4%	1.3%	2.4%	2.5%	0.2%
5. Other relationship with significant shareholder	1.3%	0.3%	1.0%	2.1%	2.4%	0.5%
6. Post in group company	14.5%	11.9%	15.3%	7.6%	10.5%	19.3%
7. Legal person	1.8%	5.0%	2.2%	9.6%	1.8%	2.2%
8. Former executive	0.0%	0.4%	0.3%	0.3%	0.0%	0.6%

Panel C: by industrial sector	Oil and energy	Materials, industry and construction	Consumer goods	Consumer services	Financial and property services	Technology and communications
	% declared independent	39.9%	29.1%	33.0%	32.5%	32.8%
% of declared total who are non-compliant with						
All 8 criteria	26.5%	51.9%	53.9%	44.8%	47.1%	39.4%
1. Proposal by ARC	13.8%	27.3%	29.3%	31.2%	22.9%	21.4%
2. 12-year term limit	12.6%	17.6%	20.7%	11.0%	11.0%	3.8%
3. Related-party transactions	1.5%	10.6%	2.2%	4.6%	6.7%	6.3%
4. Related to significant shareholder	0.0%	2.1%	0.6%	1.7%	1.1%	1.3%
5. Other relationship with significant shareholder	1.0%	0.4%	0.3%	3.9%	0.5%	0.0%
6. Post in group company	7.1%	10.2%	16.6%	13.1%	14.6%	13.2%
7. Legal person	2.1%	1.8%	5.0%	0.6%	4.0%	1.4%
8. Former executive	0.0%	0.4%	0.3%	0.0%	0.1%	0.8%

5 Discussion and conclusions

In this paper we sought to raise the apparent contradiction between recent research advances in the area of independence of boards of directors and the trend in regulation, which tends to demand ever greater and ever less voluntary levels of independence. Particularly interesting was the literature on optimal independence theory, which is consistent with the results of empirical research: independence is good for shareholders' interests when it is most necessary, having taken into account the characteristics of the companies concerned. Our review of the literature on the relationship between independence of the board of directors and corporate results in section three seeks to highlight the complexity of this relationship. To better understand this, it is helpful to bear in mind the determinants of optimal independence theory.

The second part of the paper uses Spanish data to analyse the degree of compliance with recommendations on independent directors and a series of formal independence criteria for directors whom companies list as independent. The results of this analysis show that the most frequently broken recommendations are precisely those where regulation has been tightened up, whether by demanding more independence or by upgrading recommendations from voluntary to mandatory. That said, the problem remains of how stricter regulations applied generally may impact on the capacity of each company to optimise the composition of its board. If some companies were already setting levels of board independence in line with the determinants of optimal independence theory, these new regulations may drive them into sub-optimal behaviour. Further research will be needed here, to determine if this is happening in Spain. Finally, the analysis of the formal independence of directors listed as independent by their companies, shows that it is common practice in Spain to have supposedly independent directors who nonetheless fail to meet strict criteria for independence based on international standards, although the gap is tending to diminish over time. Companies of all sizes, with or without controlling shareholders, compliant or non-compliant with general corporate governance recommendations, have directors on their boards who are not strictly independent by the tighter formal definition we used in our research, but whom they list as independent. Also, the problem is greater among industrial companies which find it harder to implement the regulations on independent directors. We should ask ourselves if this is due to structural differences between industrial sectors stemming from information asymmetries between internal and external directors or to any of the other arguments analysed in optimal independence theory. In any event, strict compliance with the new regulations for independent directors will demand considerable effort on the part of companies in the next few years.

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Auditor switches and opinion shopping: Effects of firm vs. partner rotation

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1 Introduction

One of the most controversial issues in audit quality is the optimal frequency of auditor rotation. There is no agreement on whether this matter should be regulated and, if so, on whether it should be the audit firms or audit partners and their teams rotating¹. Regulators at international level have adopted diverse solutions. The EU, for instance, recently approved a rule requiring mandatory rotation of firms for public interest entities at least every ten years².

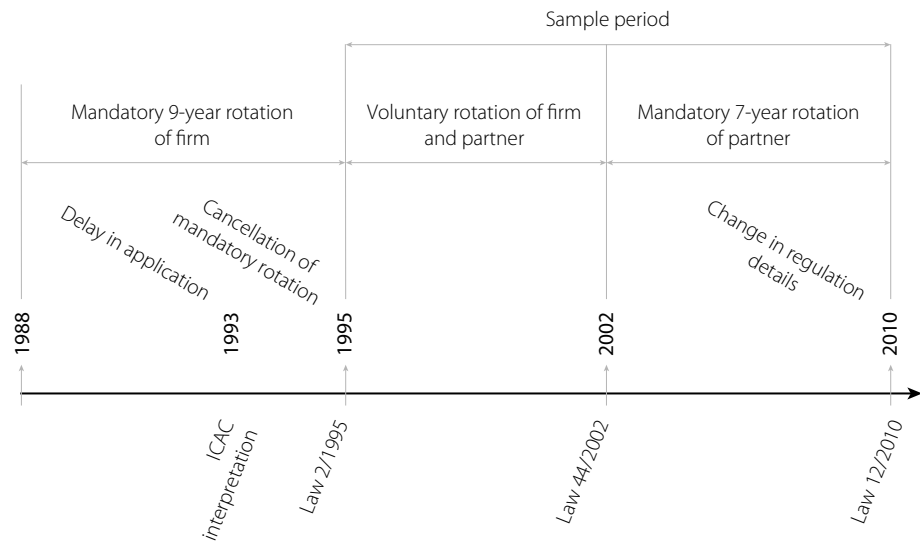
Regulating rotation at partner or firm level could have major consequences for the structure of the audit market. The effects of firm rotation have been analysed with largely inconclusive results. The benefits remain unclear and associated costs may outweigh any potential benefits (Arruñada and Paz-Ares, 1997). For this reason, some regulatory bodies (General Accounting Office, 2003) consider it “more prudent” to require rotation of partners, an approach that can, for example, prevent the loss of competence that comes with each firm switch. However, the economic impact of rotating partners can be very different from the impact of rotating firms (Bamber and Bamber, 2009). In short, there is no consensus, theoretical or empirical, on the impact that regulating partner switches would have.

This study investigates the consequences of auditor rotation on Spain. We are focusing on the phenomenon of “opinion shopping” whereby companies whose auditors’ reports contain qualifications may swap auditor to try and “buy” a clean audit opinion. While some previous studies have provided (indirect) evidence consistent with the existence of opinion shopping at firm level (e.g. Chow and Rice, 1982, and Sánchez-Segura, 2003), results in this area are generally inconclusive. Here, we present evidence on the effects of rotating auditors in Spain, analysing the relationship between firm or partner rotation and changes in audit opinion. If opinion shopping does exist it would be expected that changes in auditor are associated with improved opinions (improvement being defined as a change from receiving a qualified report to an unqualified report).

Spain is a particularly interesting case study, being one of the few countries in the world where it is possible to identify the partner responsible for the audit. Also, since Spain first started regulating audits in 1988 it has implemented a number of different regulatory regimes for auditor rotation (see chart 1).

1 Throughout this report we use the terms “partner rotation”, “partner switching” or “rotation at partner level” to signify the rotation of the partner and their team. When referring to rotation of the audit firm responsible, we say “firm rotation” or “rotation at firm level” etc.

2 The latest cycle of EU audit reform began in 2010 with the report on *Audit policy: Lessons from the crisis* (European Commission, 2010). This led to Directive 2014/56/EC, amending Directive 2006/43/EC, and Regulation 537/2014, and, among other measures, established for the first time at European level an obligation to rotate audit firms.



Law 19/1988, on the Audit of Financial Statements, imposed a 9-year rotation cycle (article 8.4). However, after much controversy, Law 2/1995, on Limited Liability Companies, got rid of this rule and rotation never actually took place (Carrera, Gómez-Aguilar, Humphrey and Ruiz-Barbadillo, 2007). Subsequently, auditor rotation in Spain was voluntary until Law 44/2002, on Measures to Reform the Financial System, reintroduced mandatory rotation, but this time of partners, who, along with their audit team, would be forced to change every 7 years (article 51). Law 12/2010, amending Law 19/1998, made some tweaks, maintaining 7-year mandatory rotation but limiting it to the partner rather than the team³. This study, therefore, covers two clearly distinct eras of regulation: 1995-2002 and 2003-2010.

2 Opinion shopping: Working hypothesis

Financial statements are produced following a negotiation process between company and auditor. Errors identified by the auditor can be corrected, thereby improving the quality of the information reported. If errors go uncorrected the auditor must qualify their report, which testifies both to their competence (having identified the problems) and independence (by reporting them). In such cases the auditor will issue a qualified report.

Qualified reports have negative consequences for the company (see Kausar, Taffler and Tan, 2009) and it is therefore reasonable that negotiations take place between the company and the auditor to try and achieve a clean report. If they cannot agree, the company can try to change auditor (see Lennox, 1998). This would be opinion shop-

³ The new Audit Law (Law 22/2015, of July 20) again changed the regulations by transposing the requirements of EU Regulation 537/2014, including 10-year rotation of audit firms, into Spanish law. Article 40 of the same regulation requires 5-year rotation of the audit partner and team.

ping and a clear case of an auditor losing their independence, which is why it is a constant preoccupation of regulators (see European Commission, 2010, and Public Company Accounting Oversight Board, 2011).

However, despite the regulators' concerns there is no clear evidence of how far companies can successfully shop for audit opinions. Various studies have found a positive association between companies being given qualified opinions and changing their auditor but without accepting opinion shopping as the explanation for the change. In the US context, no study has been able to produce evidence of a relationship between the auditor switch and an improved opinion. For instance, DeFond and Subramanyam (1998) suggest that auditor switches in the wake of a qualified report only reflect differences in the level of conservatism applied by the auditors. In other contexts, while there is a similar lack of direct proof of opinion shopping, results suggest that it is happening. For instance, Lennox (2000) provides evidence in the UK that, after a change in auditor, there is a lower chance of being given a worse opinion. Similarly, it has been observed that in environments with weak investor protection, such as China or Spain, companies hire local or small audit firms to avoid getting a qualified opinion (see, for instance, Chan, Lin and Mo, 2006, and Gómez-Aguilar and Ruiz-Barbadillo, 2003).

In any event, the evidence regarding rotation at firm level cannot be directly extrapolated to partner rotation, where the incentives to opinion shop are different for client and auditor alike. From the client's point of view, asking for a partner switch within a single firm could be an option to consider, as the change in partner is less obvious than a firm switch and so avoids the negative consequences of switching audit firm. Even when a partner is changed for other reasons (e.g. retirement or international rotation requirements for firms listing in certain markets), the client may be able to influence the process and seize the opportunity to get a more forgiving partner appointed. From the auditor's point of view, the connection between changes of opinion and partner switches seems improbable, but may be explained if the firm is heavily dependent on the client (Bamber and Bamber, 2009). Such dependency may generate incentives for the new partner to take a less conservative stance and so keep the client for the audit firm.

Research on the effects of partner rotation on audit quality is scant and inconclusive⁴, chiefly because there are few countries where the partner signs the report in their own name. Studies looking at partner level data have been carried out in Australia and Taiwan but both of these countries apply markedly different legal, corporate governance and accounting rules from Europe. In our study, we examine opinion shopping at both levels, firm and partner. They need not be mutually exclusive and could, theoretically, coexist. That said, it seems reasonable to suppose that there would be greater impediments to opinion shopping at partner level, first because we can assume some level of monitoring among partners within firms and second because the chances of finding a biddable partner in a single firm are likely to be lower than among all the partners in the market.

4 Some studies have found evidence that a partner switch improves audit quality (e.g. Firth, Rui and Wu, 2012), while others have found the opposite (e.g. Daugherty, Dickins, Hatfield and Higgs, 2012).

If companies are changing auditor to try and shop for a better opinion it is probable that such changes will be associated with a change in opinion. Specifically, an improvement in the opinion (from qualified to unqualified report). Equally, it is unlikely to result in a worse opinion (from clean to qualified). We therefore considered the following hypotheses:

H1: *Auditor switches are positively associated with the probability of an improved audit opinion.*

H2: *Auditor switches are not associated with the probability of an improved audit opinion.*

3 Sample and descriptive analysis

To analyse the relationship between the auditor and the change of opinion we took the audit data from the official records of the CNMV for Spanish non-financial listed companies between 1990 and 2010. Our analyses, however, focus only on the 1995-2010 period as the first few years had to be discarded to adequately calculate some of the variables. This left us with a sample of 2,176 year-company observations. These were broken down into three mutually exclusive categories: (i) no partner or firm switch; (ii) partner switch but not firm; (iii) partner and firm switch⁵. As table 1 shows 20.5% of observations in the sample recorded some auditor switches, most frequently a partner switch within the same firm: there are 122 cases of a firm and partner switch (5.6%) and 325 of partner switches only (14.9%).

Table 1 also gives a brief description of the relationship between the auditor switches and the changes of opinion. If companies were trying to opinion shop by changing auditor we would expect to find a higher proportion of qualified audit reports in the previous year among companies changing auditor than those not changing. In our sample, the proportion of qualified opinions is 20.3% among firms not changing auditor and 34.4% in firms that did change firm and partner the year before they switched, a statistically significant difference. However, the proportion of observations with prior year qualified reports among companies that changed only their audit partner is 17.5%, not significantly different from the group with no change of auditor. These results suggest that companies receiving a qualified report are more likely to change firm than partner.

The results from column 2 provide initial evidence for the existence of opinion shopping. The proportion of improved opinions in the no change category is 6.8% compared to 13.9% in the group with firm switches, a statistically significant gap. In the group that changed partner the proportion is just 5.8%, significantly lower than among companies who switched firm and not significantly distinct from the no-change sample. This evidence is consistent with working hypothesis H1, but only in

5 The fourth possible category (same partner but different firm) was not considered. This only occurred when firms merged such as after Deloitte's acquisition of Arthur Andersen in 2002 and PriceWaterhouse's merger with Coopers & Lybrand in 1998. These observations are not included in the study as audit rotation in these cases was for exogenous reasons.

the case of an audit firm switch, not in the case of a partner switch. Column 3 of table 1 shows the proportion of worsening opinions in each category. In this case there were no significant differences between the three groups.

Auditor switches and opinion shopping. Descriptive analysis

TABLE 1

The table shows the proportion of companies receiving qualified reports in year $t-1$ (column 1) broken down by companies who (i) made no change to their auditor, (ii) changed the partner only, and (iii) changed the partner and the audit firm. It also shows for each category the proportion of companies whose audit opinions improved between years $t-1$ and t (column 2) and those whose audit opinions worsened (column 3). The four bottom rows show the results of the proportional tests where the null hypothesis is that proportions in the categories being compared are equal. Statistical significance is indicated by * for a p-value less than 0.10, ** for a p-value less than 0.05, and *** for a p-value less than 0.01.

Auditor change category	N	Change of opinion between $t-1$ and t		
		(1) Qualified opinion in $t-1$	(2) Improved opinion	(3) Worse opinion
All	2,176	450	153	124
%		20.7 %	7.0 %	5.7 %
(i) No change	1,729	351	117	94
%		20.3 %	6.8 %	5.4 %
(ii) Partner change	325	57	19	19
%		17.5 %	5.8 %	5.8 %
(iii) Partner and firm change	122	42	17	11
%		34.4 %	13.9 %	9.0 %
Proportion difference test (Z-statistics):				
(i) vs. (iii)		-3.69***	-2.95***	-1.65*
(ii) vs. (iii)		-3.83***	-2.79***	-1.19
(i) vs. (ii)		1.14	0.61	-0.29

4 Regression analysis: Auditor switches and changes of opinion

The decision to change auditor may be motivated by other changes affecting the client and/or auditor, which also explain the change in opinion. As a result, if we are to draw valid conclusions on the relationship between auditor switches and opinion shopping we have to run a multi-variant analysis to control for the effect of other factors on the opinion change. Specifically, we estimated the logistic regression models 1 and 2, where the probability of an improved or worse opinion is expressed, respectively, as a function of an auditor switch (firm and partner) and of a number of characteristics of the client and the auditor.

$$Improved_OP_{i,t} = \alpha_0 + \alpha_1 Partner_Change_{i,t} + \alpha_2 Firm_Change_{i,t} + \beta \sum \Delta Determinants_{i,t} + \epsilon_{i,t} \quad (1)$$

$$Worse_OP_{i,t} = \alpha_0 + \alpha_1 Partner_Change_{i,t} + \alpha_2 Firm_Change_{i,t} + \beta \sum \Delta Determinants_{i,t} + \epsilon_{i,t} \quad (2)$$

The dependent variables in models 1 and 2 capture the direction of change in audit opinion. *Improved_OP_{i,t}* is a dichotomous variable with value 1 if company *i* receives a qualified opinion in year *t-1* and a clean opinion in year *t*, and 0 otherwise. *Worse_OP_{i,t}* is a dichotomous variable with value 1 if company *i* receives a clean opinion in year *t-1* and a qualified opinion in year *t*, and 0 otherwise. *Partner_Change_{i,t}* is a dichotomous variable with value 1 if company *i* changed partner but not firm in year *t*, and 0 otherwise. *Firm_Change_{i,t}* is a dichotomous variable with value 1 if company *i* changed both partner and firm in year *t*, and 0 otherwise. The reference group is therefore the group that changed neither partner nor firm. A positive α in the *Improved_OP_{i,t}* model would be consistent with hypothesis H1. Non-significant α in the *Worse_OP_{i,t}* would be consistent with hypothesis H2. The variables measuring changes in the characteristics of the client and factors related to the characteristics of the auditor are included in *Determinants*. All the control variables included are based on research work looking at the determinants of auditors' opinions. See Appendix for a definition of the variables considered⁶.

Financial data on companies (from the SABI data base) and auditors (from the records of the Spanish professional accounting body the Instituto de Contabilidad y Auditoría de Cuentas) was not available for the full sample of auditors described above. We therefore ran the regression analysis on a smaller sample of 1,374 company-year observations. The descriptive analysis of this sample gives results similar to those shown in table 1, suggesting it is representative of the full sample.

The average company in the sample has assets of 3,205 million euros and an average return on assets (ROA) of 4.7%. Average leverage is 52.9% and an average liquidity ratio of 1,719. Regarding auditor characteristics, partners in the sample have long experience (Age), 81.7% have been registered in Spain's Official Accountants Register (ROAC) since 1991, 4.7% of companies are audited by a partner who is expert in their industry (Pexper) and 88.1% of the sample is audited by a multinational audit firm (Big). Finally, the average consecutive number of years auditing by the partner (Pyears) is 3.8 and by the firm (Fyears) 6.9.

Table 2 shows the results of the regression analysis. We only show the coefficients and odds ratios of the experimental variables *Firm_Change* and *Partner_Change*⁷. Odds ratios indicate the rise or fall in the probability of a change of opinion when the variable switches from 0 to 1, while all other variables remain constant.

The results confirm the findings of table 1. First, the chances of an improved opinion is positively and significantly associated with an audit firm switch (the *Firm_Change* coefficient is positive and statistically significant in the model where the dependent variable is *Improved_OP*). Whereas partner switches only show the opposite result (the *Partner_Change* coefficient is negative and significant). When there is a partner switch, the new partner is less likely than average to give an unqualified opinion if the previous partner had given a qualified opinion. Also, neither partner or firm switch is significantly associated with a worsening of opinion (nei-

6 We have omitted details of the methodology used to estimate the models. Readers who are interested can request the complete version of the study from the authors, which includes details of the empirical method.

7 Tables with full results can be found in the full version of the study.

ther *Partner_Change* nor *Firm_Change* are significantly different from zero in the model where the dependent variable is *Worse_OP*). The results of the control variables (not shown) are consistent with those observed in previous studies.

Auditor switches and changes of opinion. Regression analysis

TABLE 2

This table shows the results of the logistic regression that models the change in the auditor's opinion (whether *Improved_OP* or *Worse_OP*) on the auditor change variables (*Partner_Change* and *Firm_Change*) and other determinants related to the characteristics of the company and auditor. Statistical significance is indicated by * for a p-value less than 0.10, ** for a p-value less than 0.05, and *** for a p-value less than 0.01. See Appendix for definitions of all the variables considered.

Variables	Improved_OP		Worse_OP	
	Coef.	Odds (Q1-Q3)	Coef.	Odds (Q1-Q3)
Constant	-2.154*** [-5.22]		-1.993*** [-4.01]	
<i>Partner_Change</i>	-0.663*** [-3.09]	0.52	-0.013 [-0.07]	0.99
<i>Firm_Change</i>	0.844*** [2.92]	2.33	0.339 [0.73]	1.40
<i>Determinants</i>	Incluye		Incluye	
Wald c2	54.95***		31.71**	
Pseudo R ²	0.072		0.043	
No. observations	1,374		1,374	

5 Other analyses

Attempted opinion shopping at partner level

The evidence presented suggests that rotating partners does not allow firms to buy a good opinion. That said, it may be that some clients seeking a change in partner are hoping to achieve a change of opinion. To seek to understand if firms are attempting to opinion shop at partner level, we modeled the probability of a change in firm (*Firm_Change*) following a previous partner switch with the condition that this had not resulted in any change of opinion. The results of this analysis show that the probability of firm rotation is significantly higher when the audit partner has been changed in the previous three years and this change was not accompanied by a change in opinion. Breaking this evidence down by types of opinion shows that it is the sub-sample with qualified opinions that determines this result. This suggests that the companies are trying to opinion shop by changing partner and when this fails, change firms.

Mandatory versus voluntary partner rotation

Our last analysis looked at the relationship between the partner switch and the change of opinion in the case of obligatory and voluntary partner rotation. We identified seventy obligatory partner changes following the introduction of Law

44/2002. It was found that obligatory rotation of partner is linked to a greater probability of an improved opinion than voluntary rotation. These results, however, must be interpreted with a degree of caution given the small number of obligatory rotations analysed.

6 Conclusion

This study looks at empirical evidence of opinion shopping at firm and partner level. To do this, we analyse the relationship between the change in auditor and changes in audit opinion. The results show that audit firm switches are associated with a greater probability of receiving an improved opinion (firms receiving an unqualified report from the new auditor when the old auditor had issued a qualified report), which suggests the existence of opinion shopping. In contrast, at partner level, auditor switches are associated with a lower probability of an improved opinion. The new partners are more conservative and less likely to sign off a clean report when the outgoing partner issued a qualified opinion.

In general, these results confirm the thesis that evidence at firm level cannot be extrapolated to partner level. The observed effects are the opposite. This result is particularly important for regulators, who often see auditor rotations as an alternative to firm rotation, hoping to cut out the likely costs of a firm switch while retaining the benefits. Also, the results are consistent with the thesis that effects at partner level are of a secondary order compared to effects at firm level, since the effects of a firm change are economically greater in all our models.

Our additional analyses suggest that (1) firm changes are associated with failed attempts to opinion shop at partner level, and (2) mandatory rotation of partner is associated with a higher likelihood of an improved opinion than non-mandatory rotation, which suggests that in a context of mandatory partner rotation there are stronger incentives for companies and/or auditors to take part in opinion shopping than in a voluntary rotation regime. However, this result should be interpreted with caution given that the number of mandatory partner changes in the sample was low.

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Appendix: Definition of variables used in regression models

Dependent variables:

Improved_OP Dichotomous variable: 1 if opinion improves, 0 if not.

Worse_OP Dichotomous variable: 1 if opinion worsens, 0 if not.

Experimental variables:

Partner_Change Dichotomous variable: 1 if the partner changes but not the firm, 0 otherwise.

Firm_Change Dichotomous variable: 1 if the partner and firm both change, 0 otherwise.

Other determinants:

$\Delta|DDI|$ Change between $t-1$ and t in the absolute value adjustments for abnormal accruals using Dechow and Dichev (2002).

ΔSize Change between $t-1$ and t in the logarithm of total assets.

$\Delta\text{Leverage}$ Change between $t-1$ and t in the total debt/total assets ratio.

ΔROA Change between $t-1$ and t in the return on assets (ROA), calculated as net profit over average total assets.

ΔLiquid Change between $t-1$ and t in the liquidity ratio, calculated as current assets over current liabilities.

ΔInvest Change between $t-1$ and t in the ratio of current assets less receivables and inventory over total assets.

Age Dichotomous variable: 1 if the partner is an experienced auditor, 0 if not. An auditor is considered to be experienced if they have been registered with the ROAC ever since its creation in 1991.

Lag_Age First-order lag in the Age variable.

Pexper Dichotomous variable: 1 if the partner is expert in the industry where the company operates, 0 if not. A partner is considered to be expert if they audit more than one company in the industry and are the partner that audits a greater proportion of companies in the industry, measured by sales of the audited companies.

Lag_Pexper First-order lag of the variable Pexper.

Big Dichotomous variable: 1 if the auditor is a big audit firm, 0 if not.

Lag_Big First-order lag of the variable Big.

Lag_Pyears First-order lag of the variable Pyears, measuring the number of years the partner has been auditing the client.

Lag_Fyears First-order lag of the variable Fyears, measuring the number of years the audit firm has been auditing the client.

Do210 Dichotomous variable: 1 in 2002-2010, when partner rotation was mandatory, 0 in other years.

III Legislative annex

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

National regulations

- Law 34/2015, of 21 September, partly amending Law 58/2003, of 17 December, General Tax Law.

These amendments improve and adapt regulation of the Spanish tax system by seeking to:

- Strengthen legal certainty for taxpayers and the Tax Authorities and reduce litigation on tax matters through clearer, more precise and more systematic regulation of all the processes through which the tax system is applied and managed.
- Prevent tax fraud and incentivise voluntary compliance with tax obligations.
- Make administrative actions more effective in collecting taxes and make better use of available resources.

A noteworthy aspect of this law, consistent with the recent abolition of justified interruption periods in the inspection process and their replacement by suspension periods, is the change of terminology used in the third additional provision (motivated by certain breaches affecting collective investment institutions, CIIs) of Law 23/2005, of 18 November, on tax reforms to improve productivity, in cases where the CNMV has to decide whether to suspend or revoke the authorisation of a CII.

Other points:

- The regulations explicitly empower the Tax Authority bodies that draft tax provisions to also issue binding interpretations on how taxation should be enforced, a power already implicit in their existing responsibilities but now explicitly written into law.
- Amendments are made to the regulations governing administrative financial claims with the dual aim of streamlining Court actions and reducing the volume of litigation.
- A new title has been added to Law 58/2003, of 17 December, the General Tax Law, bringing it into line with EU regulations on illegal and incompatible State aid.

- **Law 39/2015, of 1 October**, on the common administrative procedure for public administrations.

This law regulates the set of requirements for administrative actions to be deemed valid and effective, the common administrative procedure for all public authorities, including the imposition of sanctions and civil liability of public authorities, and lays down firm principles governing the initiation of legislation and regulation. It aims to create a fully electronic, interconnected and transparent administration that can streamline administrative procedures and cut processing times. On this point, the CNMV will be obliged to comply with the new electronic administrative procedures since many of its areas of supervision, inspection and sanction, as specified in article 233 of the Securities Market Law, and many of the resulting administrative procedures it has to deal with, fall within the scope e-communications obligation introduced by article 14.2 of the law.

The biggest changes to regulation of common administrative procedures are the possibility of simplified processing in certain circumstances, counting Saturday as a non-working day when calculating response times, new criteria for whether a legal deadline for resolving a process can or must be suspended and grounds for rejecting administrative appeals.

Finally, a mandatory basis is laid down for the first time in law for the development of legislative initiatives and regulation of public administrations with the aim of ensuring powers are exercised in line with the principles of good regulation, guaranteeing citizens a hearing and participation in the design of new regulations and achieving predictability and public evaluation of orders as part of the constitutional right to legal certainty.

The following regulations are abrogated:

- a) Law 30/1992, of 26 November, on the legal regime for public administrations and the common administrative procedure.
- b) Law 11/2007, of 22 June, on citizens' electronic access to public services.
- c) Articles 4 to 7 of Law 2/2011, of 4 March, on the sustainable economy.
- d) Royal Decree 429/1993, of 26 March, approving the regulations for the public administration procedures relating to property.
- e) Royal Decree 1398/1993, of 4 August, approving the regulations on the procedure to exercise sanctioning powers.
- f) Royal Decree 772/1999, of 7 May, regulating the presentation of applications, documents and communications to the General State Administration, the issuing of copies of documents and returning of original and the system of the registry offices.

- g) Articles 2.3, 10, 13, 14, 15, 16, 26, 27, 28, 29.1.a, 29.1.d, 31, 32, 33, 35, 36, 39, 48, 50, sections 1, 2 and 4 of the first and third additional provisions and the first, second, third and fourth transitional provisions of Royal Decree 1671/2009, of 6 November, partially implementing Law 11/2007, of 22 June, on citizens' electronic access to public services.

The law takes effect one year after its publication in the Spanish State Official Journal (BOE). However, the clauses on electronic records of powers, electronic records, records of authorised public employees, a general electronic point of access to the administration and a single electronic archive will take effect two years after the law comes into force.

- **Law 40/2015, of 1 October**, on the legal regime of the public sector.

This law defines and regulates the basic legal regime for public administrations, the principles governing civil liability of public administrations, their sanctioning powers and the organisation and functioning of the State General Administration and the institutional public sector.

It abrogates:

- a) Article 87 of Law 7/1985, of 2 April, regulating the bases of the local regime.
- b) Article 110 of the revised law on provisions regarding the local regime approved by Royal Legislative Decree 781/1986, of 18 April.
- c) Law 6/1997, of 14 April, on the structure and functioning of the State General Administration.
- d) Articles 44, 45 and 46 of Law 50/2002, of 26 December, on Foundations.
- e) Law 28/2006, of 18 July, on state agencies for the improvement of public services.
- f) Articles 12, 13, 14 and 15 and the sixth additional provision of Law 15/2014, of 16 September, for the rationalisation of the public sector and other measures of administrative reform.
- g) Article 6.1.f, third additional provision and the second and fourth transitional provisions of Royal Decree 1671/2009, of 6 November, partially implementing Law 11/2007, of 22 June, on citizens' electronic access to public services.
- h) Articles 37, 38, 39 and 40 of the Decree of 17 June 1955 approving the regulation of local authority services.

Law 28/2006, of 18 July, will remain in force until the end of the transitional period defined by the fourth additional provision for state public sector entities.

This law incorporates an amendment to Law 47/2003, of 26 November, on the General Budget¹, whose article 2 now reads as follows:

Article 2. State public sector.

1. For the purposes of this law, the following form part of the public state sector:
 - a) The State General Administration.
 - b) The state institutional public sector.
2. The state institutional public sector comprises the following:
 - a) Public bodies attached to or dependent on the State General Administration, which are classified as:
 1. Autonomous bodies.
 2. Public corporate entities.
 - b) Independent administrative authorities.
 - c) State-owned commercial companies.
 - d) Consortia attached to the State General Administration.
 - e) Public sector foundations attached to the State General Administration.

¹ It also amends article 3 to read as follows:

Article 3. Public administrative, corporate and foundation sector.

For the purposes of this law, the state public sector is divided into the following parts:

1. The administrative public sector, comprising:
 - a) The State General Administration, autonomous bodies, independent administrative authorities, untransferred public universities and management entities, common services and mutuals working with the Social Security system as well as its common administrative centres and the entities in section 3 of the preceding article.
 - b) Any public law bodies and entities linked to or dependent on the State General Administration, consortia and funds without legal personality that fulfil either of the following two characteristics:
 1. Their principal activity is not to produce market goods and services for individual or collective consumption or they redistribute national wealth and income, in all cases on a not-for-profit basis.
 2. The majority of their financing does not come from commercial income, this being defined for the purposes of this law as any income of whatever kind obtained as consideration for the provision of goods or services.
2. The corporate public sector, comprising:
 - a) Public corporate entities.
 - b) State-owned commercial companies.
 - c) Any public law bodies and entities attached to or dependent on the State General Administration, consortia and funds without legal personality not included in the administrative public sector.
3. The foundation public sector, comprising state-owned public sector foundations.

- f) Funds without legal personality.
 - g) Untransferred public universities.
 - h) Management entities, common services and mutuals working with the Social Security system in its public role of managing Social Security, as well as its common administrative centres.
 - i) Any public law bodies and entities attached to or dependent on the State General Administration.
3. Bodies with separate endowments in the State General Budget which, as they have no legal personality, are not included in the State General Administration. These form part of the state public sector and their economic and financial regime is governed by this law, notwithstanding any special terms laid down in their founding, organisational or operating regulations. However, their accounting and oversight regime shall in all cases be governed the abovementioned regulations and this law shall not apply in these areas.

Notwithstanding the above, this law shall not apply to the *Cortes Generales* (Spanish Parliament) whose budgetary independence is enshrined in article 72 of the Constitution. Nevertheless, necessary coordination shall continue to prepare the State General Budget Bill.

It also provides as follows:

1. This law shall take effect a year after its publication in the BOE, except for paragraph 4 of the fifth final provision, amending Bankruptcy Law 22/2003, of 9 July, paragraphs 1 to 11 of the ninth final provision, amending the Revised Law on Public Sector Contracts, approved by Royal legislative Decree 3/2011, of 14 November, and the twelfth final provision, on restitutions or compensation to political parties for goods and rights seized under the regulations on political liabilities, which shall take effect twenty days following its publication in the BOE and paragraph 12 of the same ninth final provision, which shall take effect six months after publication.
2. However, the following measures shall take effect on the day following the law's publication in the BOE: the first final provision, amending Law 23/1982, of 16 June, regulating national assets, the second final provision, amending Royal Decree Law 12/1995, of 28 December, on urgent budgetary, tax and financial measures, paragraphs 1 to 3 of the fifth final provision, amending Bankruptcy Law 22/2003, of 9 July, the seventh final provision, amending the General Subsidies Law 38/2003, of 17 November, and the eleventh final provision, amending Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and re-insurance companies.
3. The tenth final provision, amending the thirteenth additional provision of Law 17/2012, of 27 December, on the 2013 State General Budget, shall

take effect the day following its publication in the BOE, notwithstanding that sections One, paragraphs 1 and 2, Two, Three, paragraphs 1 and 2, Four, Five, paragraphs 1 to 4, and Six shall take effect as from 1 January 2013 and notwithstanding also the provision of section Seven².

- **Ministerial Order HAP/2046/2015, of 1 October**, amending the Ministerial Order of 4 June 1998, regulating certain aspects of the collection of Treasury levies.

This regulation introduces measures to encourage the direct payment of tax in administration branches by credit or debit card and updates the Ministerial Order of 4 June 1998 to accommodate the new bank account number and ID system.

- **Royal Decree 877/2015, of 2 October**, implementing Law 26/2013, of 27 December, on savings banks and bank foundations, regulating the reserve fund to which certain bank foundations have to contribute. It also amends Royal Decree 1517/2011, of 31 October, which approved the regulation implementing the amended text of the Audit Law, approved by Royal Legislative Decree 1/2011, of 1 July, and amends Royal Decree 1082/2012, of 13 July, approving implementing regulation of Law 35/2003, of 4 November, on collective investment institutions.

This royal decree was drafted as an implementation of Law 26/2013, of 27 December, on savings banks and bank foundations, regulating the reserve fund to which certain bank foundations have to contribute. It amends Royal Decree 1517/2011, of 31 October, which approved the regulation implementing the amended text of the Audit Law, approved by Royal Legislative Decree 1/2011, of 1 July, and also amends Royal Decree 1082/2012, of 13 July, approving the implementing regulation of Law 35/2003, of 4 November, on Collective Investment Institutions.

More specifically, Royal Decree 877/2015 amends article 15 of the Audit Law's accompanying regulations to clarify the concept of "public-interest entity" for the purposes of auditing regulations. The following entities now qualify:

- a) Credit institutions, insurance companies and entities issuing securities admitted for trading in official secondary securities markets or the alternative stock market's growth companies segment.

2 The third final provision includes an amendment to Government Law 50/1997, of 27 November. The fifth final provision includes an amendment to Bankruptcy Law 22/2003, of 9 July. Article 3.1 of Bankruptcy Law 22/2003, of 9 July, is amended to read as follows: "Those entitled to seek a declaration of bankruptcy are the debtor, any of their creditors or the bankruptcy mediator in the case of proceedings regulated by Title X of this law. If the debtor is a legal entity, they shall be competent to decide on the request to the administration or liquidation body". Also amended are articles 34 ter, section 2 of article 34 cuater, paragraph 6 of section 1 of article 90. The sixth final provision includes an amendment to Law 33/2003, of 3 November, on the Assets of Public Administrations. The eighth final provision included an amendment to General Budget Law 47/2003, of 26 November. The ninth final provision amended the consolidated text of the Public Sector Contract Law approved by Royal Legislative Decree 3/2011, of 14 November.

- b) Investment firms and collective investment institutions which, on two consecutive annual reporting dates have at least five thousand customers or five thousand unitholders or shareholders, respectively, and the investment management firms that administer them.
- c) Pension funds that on two successive annual reporting dates have at least ten thousand policy-holders and the investment management firms that administer them.
- d) Bank foundations, payments companies and electronic money institutions.
- e) Any institutions other than those mentioned in the preceding paragraphs whose net revenue and average headcount at two consecutive annual closing dates were more than two billion euros and four thousand employees, respectively.
- f) Groups of companies whose parent is one of the institutions listed in paragraphs a) to e) above.

Institutions specified in b), c) and e) shall cease to be considered public-interest entities if they fail at two consecutive annual closing dates to meet the specifications above. The second transitional provision states that compliance with the requirements of these paragraphs shall be judged based on the new parameters applied to the last two financial years ended before this decree comes into force.

Notwithstanding their status as public-interest entities, CIIs and pension funds mentioned in paragraphs b) and c) are exempt from the obligation to have an audit committee.

Also, this royal decree amends the implementing regulation of Law 35/2003, of 4 November, on Collective Investment Institutions, in two respects. First, to make more flexible the liquidity ratio of financial CIIs, by reducing the mandatory proportion of liquid assets from 3% to 1% of net assets and their obligation to hold sufficient assets convertible into cash in one day to meet redemptions within the regulatory deadlines. Second, it amends article 132 to write explicitly into the regulation the principles underlying the already applicable provisions of article 16 of Directive 2006/73/EC, of 10 August 2006, implementing European Parliament and Council Directive 2004/39/EC on organisational requirements and the terms and conditions of operation of investment firms as well as the terms defined in the Directive.

- **Royal Decree 878/2015, of 2 October**, on clearing, settlement and registry of securities held in registered form, on the legal regime of central securities depositories and central counterparties and on the transparency requirements for securities issuers listed on an official secondary market.

The main purpose of this regulation is to make two major reforms to Spain's securities markets. First, it creates and defines the elements on which the new

securities clearing, settlement and registry system will be based. Second, it completes the transposition into domestic regulations of European Parliament and Council Directive 2013/50/EU, of 22 October 2013, on transparency requirements and issuer information.

Title I concerns the representation of securities in registered form, leaving largely unchanged the existing legal framework established by Royal Decree 116/1992, of 14 February, and clarifies the structure and functioning of the securities registry system with its “two-level system”. The first level is the central register run by the central securities depository. The second level comprises the “detailed registers” managed by the depository’s participating entities.

Title II addresses issues of settlement and the legal framework governing the market infrastructure, i.e., central counterparties and central securities depositories. Stand-out points in this Title include Chapter IV, which implements the newly added article 44 septies of Law 24/1988, of 28 July, specifying the reporting system for oversight of clearing, settlement and registry of securities. This reporting system, called the “post-trade interface”, will be managed by the central securities depository and will have available to it information from all participants in the post-trade process, including trading hubs, central counterparties, etc. Its ultimate purpose is to deliver traceability of trades, control of risks and guarantees, proper application of the two registry levels and accurate settlement of trades. It will be a vital tool in the CNMV’s oversight of the functioning of all post-trade phases and the registry, while registry records will no longer be available for monitoring purposes.

Most of these aspects of Royal Decree 878/2015 were due to take effect as from 3 February 2016. Notwithstanding the above, the first additional provision states that the different infrastructures shall verify, before the launch of the new securities clearing, settlement and registry system, that its members and participating entities are ready to meet their obligations under the decree and the infrastructure companies’ internal regulations. It is therefore the infrastructure entities, CCP and CSD, that will announce, in coordination, the start date for the new clearing, settlement and registry system. The second additional provision states that these amendments shall not apply to fixed-income securities traded on official secondary markets or multilateral trading systems nor to sovereign debt traded on the market specified in Title IV Chapter II of Law 24/1988, of 28 July, until the date and on the terms specified by the Economy and Competitiveness Minister.

The second big change brought in by this regulation is in the first and second final provisions, which complete the transposition into Spanish law of European Parliament and Council Directive 2013/50/EU, of 22 October 2013, on transparency and reporting of issuers of securities listed for trading on a regulated market (the Transparency Directive), by amending Royal Decree 1310/2005, of 4 November, and Royal Decree 1362/2007, of 19 October, implementing the Securities Market Law provisions on the transparency requirements for issuers of securities traded on an official secondary market or other regulated market in the EU. The directive amends, among other matters, the timing and content of the reports that issuers have to publish and states that ownership of

financial instruments with a similar effect to shareholdings would henceforth count towards the calculation of significant shareholdings. As a result, the decree makes a number of changes to the timing of publication of some financial reports, the calculation of voting rights in certain circumstances involving derivatives and the definition of who is an “issuer”.

Particularly interesting are the changes to the reporting of significant shareholdings by the amendment of article 28 of Royal Decree 1362/2007 and the introduction of a new article 28 bis. Disclosure obligations will apply not only to anyone acquiring or transferring (a) financial instruments which confer at maturity an unconditional right or option to acquire, at the sole initiative of the holder and by formal agreement, existing shares that confer voting rights – an obligation that already applies – but also anyone who acquires or transfers (b) “financial instruments not included in (a) above but which are referred to shares mentioned in (a) and which have a similar economic effect to the holding of such financial instruments, irrespective of whether or not they confer rights on settlement through the physical delivery of the underlying securities”, when the proportion of voting rights reaches, breaches or falls below any of the thresholds set in article 23.1 of Royal Decree 1362/2007 (3%, 5%, 10%, etc.).

Financial instruments are considered, for these purposes, to include negotiable securities, option contracts, futures, swaps, forward rate agreements, contracts for differences and any other contract or agreement with similar economic effects that may be settled via physical delivery of the underlying securities or in cash, as well as any other instruments that may be determined by the Economy and Competitiveness Ministry or, with their explicit authorisation, the CNMV.

The aforementioned article 28.2 includes a formula for calculating the number of voting rights attributable in the case of exclusively cash-settled financial instruments. For details of this calculation the Royal Decree refers to the EU Delegated Regulation 2015/761 of 17 December 2014.

The new article 28 bis introduced by Royal Decree 1362/2007 includes a general aggregation regulation, under which the obligation to disclose also applies to anyone who owns, acquires, transfers or has the possibility to exercise voting rights associated with or conferred by shares or any of the other financial instruments referred to in articles 23, 24 and 28 of the same decree, when the proportion of aggregate votes reaches, breaches or falls below the established thresholds. Finally, it requires that voting rights already disclosed under article 28 must be disclosed again when the person in question acquires the underlying shares with the consequence that the total number of voting rights associated with shares issued by the same issuer reaches the disclosure threshold.

These changes to the framework for reporting significant shareholdings took effect on 27 November 2015. The fourth transitional provision sets a fifteen-day deadline from this effective date for those concerned to report significant shareholdings under the new regulations.

- **Royal Legislative Decree 2/2015, of 23 October**, approving the amended text of the Workers' Statute Law.

This regulation abrogates all provisions with an equal or lower rank that contradict its own provisions and those of the amended text it approves, including:

- a) Royal Legislative Decree 1/1995, of 24 March, approving the amended text of the Workers' Statute Law.
- b) The fourth additional provision and second transitional provision of Law 12/2001, of 9 July, on urgent measures to reform the labour market to increase employment and improve its quality.
- c) The seventh additional provision and second transitional provision of Law 43/2006, of 29 December for the improvement of growth and employment.
- d) The first and third additional provisions and first, second and twelfth transitional provisions of Law 35/2010, of 17 September, on urgent measures to reform the labour market.
- e) Article 5, the fifth additional provision and first and second transitional provisions of Royal Decree Law 10/2011, of 26 August, on urgent measures to promote employment of young people, promote stable employment and maintain the programme of professional retraining for people having exhausted their unemployment protection.
- f) Article 17, sixth and ninth additional provisions, fifth and sixth transitional provisions, section 1 of the ninth transitional provision and the tenth and fifteenth transitional provisions of Law 3/2012 of 6 July, on urgent measures to reform the labour market.
- g) The seventh transitional provision of Royal Decree Law 20/2012, of 13 July, on measures to guarantee budget stability and promote competitiveness.
- h) The sixth additional provision of Royal Decree Law 5/2013, of 15 March, on measures to encourage the continuity of working life among older workers and promote active ageing.
- i) The sole transitional provision of Royal Decree Law 16/2013 of 20 December, on measures to encourage stable hiring and improve the employability of workers.
- j) The second transitional provision of Law 1/2014, of 28 February, on the protection of part-time workers and other urgent economic and social measures.

As no other effective date is specified, the new Workers' Statute will take effect in accordance with article 2 of the Civil Code, twenty days after its publication in the BOE, on 13 November 2015.

- **Royal Legislative Decree 4/2015, of 23 October**, approving the amended text of the Securities Market Law.

The sole additional provision of this royal decree states that to facilitate application of the amended text the Treasury web page (www.tesoro.es) will publish, for information purposes only, a table of correspondences with the precepts of the Securities Market Law 24/1988, of 28 July.

The following provisions are abrogated:

- a) Securities Market Law 24/1988, of 28 July.
- b) The third and fourteenth additional provisions and the first, second, fifth and sixth transitional provisions of Law 37/1998, of 16 November, reforming the Securities Market Law 24/1988, of 28 July.
- c) The third additional provision of Law 41/1999, of 12 November, on securities payment and settlement systems.
- d) The first, second, third and fourth additional provisions and the first, second and sixth transitional provisions of Law 44/2002, of 22 November, on measures to reform the financial system.
- e) The third additional provision of Law 26/2003, of 17 July, amending Securities Market Law 24/1988, of 28 July, and the amended text of the Companies Law approved by Royal Legislative Decree 1564/1989, of 22 December.
- f) The additional provision of Law 6/2007, of 12 April, reforming the Securities Market Law 24/1988, of 28 July.
- g) The first, second and fourth final provisions of Law 32/2011, of 4 October, amending Securities Market Law 24/1988, of 28 July.
- h) The thirteenth additional provision of Law 9/2012, of 14 November, on restructuring and resolution of credit institutions.
- i) The ninth transitional provision of Law 5/2015, of 27 April, on the promotion of corporate financing.
- j) The sixth and seventh transitional provisions of Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms.

This royal legislative decree and the amended text that it approves took effect twenty days after their publication in the BOE. However, section 2 of the sole additional provision came into force on the day following its publication in the BOE (table of correspondences).

- **Organic Law 16/2015, of 27 October**, on privileges and immunities of foreign states, international organisations with head office or branches in Spain and international conferences and meetings held in Spain.

The aim of this law is to regulate immunity from prosecution by Spanish bodies and any privileges applying to:

- a) Foreign states and their assets,
- b) Heads of state and government and foreign ministers, during their terms of office and subsequently,
- c) Warships and state ships and aircraft,
- d) Visiting armed forces,
- e) International organisations with head office or branches in Spain and their assets, and
- f) international conferences and meetings held in Spain.

This organic law took effect twenty days after its publication in the BOE.

- **Ministerial Order ECC/2314/2015, of 20 October**, setting the effective date for the launch of the financial title file.

The order sets 6 May 2016 as the start date for use of the financial ownership file or FTF, which records data on all openings and cancellations of current accounts, savings accounts, securities accounts and term deposits.

This order fulfils the mandate given in the first transitional provision of Royal Decree 304/2014, of 5 May, approving the regulation of Law 10/2010, of 28 April, on the prevention of money laundering and terrorist financing. It states that, before the effective date of the FTF, the SEPBLAC shall notify credit institutions which of them will have to carry out the initial data capture and declare existing the current, savings and securities accounts and term deposits so that, as from 6 May 2016, the monthly updates from institutions need only include new openings and cancellations of accounts and deposits or changes to existing data in the file.

- **CNMV Circular 4/2015, of 28 October**, amending Circular 7/2008, of 26 November, on accounting rules, financial statements and confidential returns by investment firms and venture capital firms, and Circular 11/2008, of 30 December, on accounting rules, financial statements and confidential returns by venture capital firms.

It updates the information to be declared in the confidential returns required by the two circulars above to reflect a number of amendments introduced by Law 22/2014, of 12 November. It also incorporates changes made by the Collective Investment Institution Regulation and affecting fund managers.

First, amendments to the confidential returns specified in Circular 7/2008 for venture capital fund managers reflect the wider range of investment services that these entities can offer, the requirements to contribute to the Investment Guarantee Fund and the new definition of capital. It also requires more frequent filing of information, which becomes half-yearly, bringing it into line with all other asset managers.

Similarly, it creates an obligation for CII and venture capital fund managers to report the number of complaints received and processed by their customer services departments, in line with ESMA, EBA and EIOPA guidelines on managing complaints by users of financial services.

Secondly, as regards Circular 11/2008, it requires a more detailed breakdown of confidential information following the extension of the types of assets that can count towards legal ratios. It also brings within the circular's scope of application the new entities defined in Law 22/2014 of 12 November, and creates new confidential returns for filing by self-managed investment companies.

- **CNMV Circular 5/2015, of 28 October**, amending Circular 1/2008, of 30 January, on regular information provided by issuers of securities traded on regulated markets regarding half-yearly financial reports, interim management statements and, where applicable, quarterly financial reports.

This circular amends some aspects of the standard formats for the filing of periodic public information prescribed by CNMV Circular 1/2008. Specifically:

- a) Extension of the deadline for presenting the first half-yearly report from two to three months.
- b) Elimination of the obligation to publish and disseminate information on new issues of debt.
- c) Redesign of the formats used by credit institutions (annex II) to the new models introduced by Bank of Spain Circular 5/2014, of 28 November.
- d) Introduction of additional breakdowns of information in annex II to provide greater transparency and better information for investors. The new breakdowns relate to solvency, credit quality of the loan portfolio and receivables, refinanced or restructured transactions and exposure to real estate.
- e) Incorporation, following amendments to IAS 1, of the new breakdown of "Other comprehensive income" into two parts, items recyclable through the income statement and non-recyclable items.

The circular takes effect the day after its publication in the BOE. Nevertheless, half-yearly financial information must be presented in accordance with the requirements of appendices I, II and III of the circular for periods beginning on or after 1 January 2016.

- **Royal Legislative Decree 5/2015, of 30 October**, approving the amended text of the Basic Statute of Civil Servants.

This defines basic principles for the statutory regime governing civil servants within its scope of application. It also defines the regulations governing employees working for public administrations.

The fourth additional provision defines the scope of application of the statute to independent state administrative authorities: it will apply to independent state administrative authorities, public law entities regulated by articles 109 and 110 of Law 40/2015, of 1 October, on the legal regime of the public sector, in the form envisaged by its founding laws.

This royal legislative decree and the amended text that it approves take effect the day after their publication in the BOE. However, the period of paternity leave specified in article 49.c of the amended text will take effect on the date specified in the amended text's sixth transitional provision. Finally, section 2 of article 50 and the sixteenth additional provision of the amended text took effect on 1 January 2016.

- **Ministerial Order ECC/2316/2015, of 4 November**, on financial product information and classification obligations.

This ministerial order aims to ensure an adequate level of protection to customers, or potential customers, of financial products through a standardised information and classification system that includes warnings about the level of risk involved and allows them to choose the products that best suit their savings and investment needs and preferences. To this end, financial institutions have to provide their customers or potential customers with a risk indicator and, where appropriate, alerts about the liquidity or complexity of the product.

This order takes effect three months after its publication in the BOE.

- **Royal Decree 1012/2015, of 6 November**, implementing Law 11/2015, of 18 June, on recovery and resolution of credit institutions and investment firms, and amending Royal Decree 2606/1996, of 20 December, deposit guarantee funds for credit institutions.

The main purpose of this royal decree is to develop, from an organisational perspective, regulations introduced over recent years to deal with situations where banks or investment firms get into difficulties, completing transposition of Directive 2014/59/EU, of 15 May 2014, parts of which are included in the abovementioned Law 11/2015. To this end, it sets out clear criteria and the measures necessary to comply with the principles underlying the EU Directive:

- a) Introducing a preventive phase that ensures the necessary conditions are in place so that, if an entity needs to be wound up, its resolution can take place in an orderly manner.

- b) Articulating a special procedure that is flexible and effective, for the resolution of credit institutions and investment firms that can replace normal bankruptcy legislation when the interests of the public and financial stability require.
- c) Providing appropriate separation of the oversight and resolution functions to avoid any potential conflict of interest affecting the supervisory authority if it were also responsible for administering resolution.
- d) Ensuring that losses from the resolution are absorbed by the entity's shareholders and creditors and not the public purse.

This royal decree regulates, among other points, the manner in which entities are to be valued prior to the adoption of any resolution measures, the content of recovery plans, criteria for their evaluation by the competent supervisor, the content of resolution plans, procedural obligations, rules on the functioning of resolution instruments, issues arising from cancellation and conversion of capital instruments and internal recapitalisation, rules for determining when the FROB's financing mechanisms can be used to fund resolution measures, the role of the FROB and international agreements to recognise resolution processes in other countries.

The Decree also amends Royal Decree 2606/1996, of 20 December, on deposit guarantee funds, developing the new articles added by Law 11/2015, of 18 June, to the Royal Decree Law 16/2011, of 14 October, which set up the Credit Institutions Deposit Guarantee Fund. This completes the transposition into Spanish law of European Parliament and Council Directive 2014/49/EU, of 16 April, 2014, on deposit guarantee systems.

The royal decree takes effect the day after its publication in the BOE. However, the regulations on internal recapitalisation in Chapter VI came into force on 1 January 2016.

- **Ministerial Order ECC/2402/2015, of 11 November**, creating the centralised body for the prevention of money laundering and terrorist financing in the College of Property, Commercial and Chattels Registrars.

The measure seeks to intensify and strengthen the collaboration of professions with the legal, police and administrative authorities. The registrars cited (Spanish registrars of real property ownership, companies and charges on personal property) are obliged to cooperate by being included in a new class of persons subject to the provisions of Law 10/2010, of 28 April, on the prevention of money laundering and terrorist financing.

This achieves two aims:

- a) Making it easier for individuals to comply with anti-money laundering rules.

- b) Helping standardise the measures applied by the profession so that they comply with law and regulations on the prevention of money laundering and terrorist financing.

This order takes effect four months after its publication in the BOE.

- **Bank of Spain Circular 6/2015, of 17 November**, to savings banks and bank foundations, regarding certain aspects of compensation and corporate governance reports published by savings banks that do not issue securities traded on official markets and on the obligations incurred by bank foundations investing in credit institutions.

This circular provides for:

- a) The adaptation for the use by savings banks that do not issue securities listed on official markets (article 31 of Law 26/2013) of the formats and documents covered by the CNMV Circulars 4/2013, of 12 June – remuneration reports for directors of listed limited liability companies and members of the board and control committee of savings banks listed on official markets – and 5/2013, of 12 June – annual corporate governance reports by listed limited liability companies, savings banks and other entities that issue securities traded on official securities markets which are listed in appendices 1 and 2 of this circular.
 - b) Determination of the minimum content and other obligations relating to the management protocol and financial plan (articles 43 and 44 of Law 26/2013).
 - c) Determination of the haircut to be applied to assets in which the reserve fund must be invested depending on the liquidity and estimated loss of value on sale or swap (article 5 of Royal Decree 877/2015).
- **Royal Decree 1060/2015, de 20 November**, on the organisation, supervision and solvency of insurance and reinsurance companies.

This royal decree implements the regulations on private insurance and reinsurance adopted by Law 20/2015, of 14 July, on the organisation, supervision and solvency of insurance and reinsurance companies, and completes the transposition into Spanish law and regulations contained in European Parliament and Council Directive 2009/138/EC, of 25 November 2009, on the taking-up and pursuit of the business of insurance and reinsurance (the Solvency II directive), to protect the rights of policyholders, insureds and beneficiaries and promote transparency and the development of the insurance business.

Key points include article 16, which provides for collaboration between supervisory authorities to review the acquisition of significant stakes in insurers or reinsurers, and the seventh transitional provision, which regulates investment in securities or other financial instruments based on repackaged loans such that the requirements of the new solvency regime need only be applied to instruments issued before 1 January 2011.

The royal decree took effect on 1 January 2016. Notwithstanding the above, section two of the fourth final provision will come into force on 1 July 2016 and the seventeenth additional provision the day following its publication.

- **Ministerial Order ECC/2575/2015, of 30 November**, determining the content, structure and publication requirements of the annual corporate governance report, and establishing the accounting requirements for banking foundations.

This order addresses two areas. The first is the annual corporate governance report issued by banking foundations. It lays down rules on the content and structure of the report in the interests of transparency, including responsibility for its preparation, information on the structure, composition and functioning of the governance bodies, the process of determining policy on appointments, references to investment policy in the associated credit institution, policy on remuneration and expenses, related party transactions, policy on conflicts of interest and social work done. It also sets the filing and publication requirements.

Secondly, it sets financial regulations and disclosure formats for banking foundations, fixing the accounting obligations and formats for published financial statements.

Its first additional provision states that: “The second final provision of Ministerial Order ECC/461/2013, of 20 March, on the content and structure of the annual report on corporate governance, the annual report on director remuneration and other informative documentation that must be issued by listed public limited companies (*sociedades anónimas*, or SAs), savings banks and other entities that issue securities that are negotiable on official markets shall read as follows:

Second final provision. Authorisation to the CNMV.

The CNMV is authorised to specify in a Circular the detailed content and structure of corporate governance and compensation reports in accordance with the amended text of the Capital Companies Law, approved by Royal Legislative Decree 1/2012, of 2 July, and with this Order, fixing the formats and models that entities must use when publishing their reports.”

- **CNMV Circular 6/2015, of 15 December**, amending Circular 1/2015, of 23 June, on data and statistical information regarding market infrastructure.

One of the key planks of the reforms to the system for clearing, settlement and registry of securities in measures such as Royal Decree 878/2015 is the switch away from the current equities registry system based on share registration records to a system based on netted balances of securities backed by alternative oversight procedures. A concomitant effect is that many of the files that the CNMV currently collects from market infrastructure bodies will be discontinued. It will be necessary to use new files designed for the new system and new procedures for the first phase of the reforms which will affect all equities trades. Consequently, the annex to Circular 1/2015 on data and statistical information on market infrastructure is replaced by the annex to this circular, which specifies the registers, internal or statistical data bases and documents

that must be captured, kept and made available to the CNMV by the institutions listed in sections 1 and 2 of article 233.1a of the amended text of the Securities Market Law approved by Royal Legislative Decree 4/2015.

This circular took effect on 3 February 2016.

- **CNMV Circular 7/2015, of 22 December**, amending Circular 5/2013, of 12 June, defining the formats for annual corporate governance reports by listed limited liability companies, savings banks and other entities that issue securities listed for trading on official securities markets, and Circular 4/2013, of 12 June, defining the forms for the annual report on remuneration of directors of listed companies and members of the board and control committee of savings banks that issue securities listed on official securities markets.

Following the adoption of Law 31/2014, of 3 December, amending the Capital Companies Law to improve corporate governance and the Listed Companies Corporate Governance Code, approved by the CNMV on 18 February 2015, it became necessary to update formats for the annual corporate governance reports defined in CNMV Circular 5/2013, of 12 June, defining the formats for annual corporate governance reports by listed limited liability companies, savings banks and other entities that issue securities listed for trading on official securities markets. This involved fundamental changes to annex I of CNMV Circular 5/2013, of 12 June.

The circular provides detailed specifications for the content and structure of the annual report on corporate governance prescribed in articles 5, 6 and 7 of Ministerial Order, ECC/461/2013, of 20 March, on the content and structure of the annual report on corporate governance, the annual report on director remuneration and other informative documentation that must be issued by listed public limited companies, savings banks and other entities that issue securities that are negotiable on official markets, as amended by Order ECC/2575/2015, de 30 November, empowering the CNMV to design standard formats for the various entities obliged to publish such annual reports.

The circular abrogates section B, Remuneration policy envisaged for future years, from the format in annex I – annual report on remuneration of directors of listed companies – of CNMV Circular 4/2013, of 12 June.

This circular will take effect the day following its publication in the BOE and will apply to annual corporate governance reports published by listed companies and other entities –apart from savings banks– which issue securities traded on official markets and to the annual reports on remuneration of directors of listed companies for the years ending on or after 31 December 2015.

- **CNMV Circular 8/2015, of 22 December**, approving the standard formats for reporting significant holdings by directors and executives and their close relatives, trading in own shares and other formats.

This circular updates the standard formats for reporting voting rights previously covered by CNMV Circular 2/2007, of 19 December, approving the stan-

dard formats for reporting significant holdings by directors and executives, trading in own shares and other formats, bringing them into compliance with Royal Decree 1362/2007, of 19 October, implementing Securities Market Law 24/1988, of 28 July, regarding the transparency requirements on securities issuers listed on an official secondary market or another regulated EU market, as defined in Royal Decree 878/2015, of 2 October, on clearing, settlement and registry of securities held in registered form, on the legal regime of central securities depositaries and central counterparties and the transparency requirements on securities issuers listed on an official secondary market, which, among other points, transposes into Spanish law the European Parliament and Council Directive 2013/50/EU, of 22 October 2013, amending European Parliament and Council Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the Transparency Directive), European Parliament and Council Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading (the Prospectus Directive), and European Commission Directive 2007/14/EC laying down detailed rules for implementing certain provisions of the Transparency Directive.

The circular abrogates the old CNMV Circular 2/2007, of 19 December, approving the standard formats for reporting significant holdings by directors and executives, trading in own shares and other formats.

The circular takes effect the day after its publication in the BOE. Obligated parties must use the new standard formats introduced by this circular for all reporting to be filed on or after 31 March 2016.

European regulations

- [Commission Delegated Regulation \(EU\) 2015/2205 of 6 August 2015](#), supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on the clearing obligation.

This regulation defines which classes of over-the-counter derivatives come within the scope of the clearing obligation created by Regulation (EU) No. 648/2012 and the start date of the obligation.

- [European Securities Market Authority \(ESMA\) Guidelines on alternative performance measures, of 1 October 2015](#).

These guidelines apply to alternative performance measures specified by issuers or the persons responsible for prospectuses when publishing regulated information or prospectuses (and their supplements) and aim to improve the usefulness and transparency of such measures. Compliance with these guidelines improves the comparability, reliability and/or comprehensibility of alternative performance measures.

- [European Banking Authority \(EBA\) Guidelines on the application of simplified objectives under article 4 \(5\) of Directive 2014/59/EU, of 16 October 2015.](#)

The guidelines referred to in article 4 (5) of Directive 2014/49/EU specify criteria for deciding, in accordance with article 4 (1) of the same directive, whether the possible adverse effects on financial markets, other entities and financing conditions of an entity ceasing to be viable and being liquidated under ordinary bankruptcy proceedings warrant applying the simplified obligations to the struggling entity. The verdict of the assessment by the competent authority or insolvency authority regarding whether an entity or class of entities would be eligible for simplified obligations could be notified to the entity concerned under the conditions of professional secrecy applying in the member state concerned.

IV Statistics annex

1 Markets

1.1 Equity

Share issues and public offerings¹

TABLE 1.1

	2013	2014	2015	2015				2016
				I	II	III	IV	I ²
NO. OF ISSUERS								
Total	39	49	52	23	21	24	19	6
Capital increases	39	47	47	21	18	23	19	6
Primary offerings	5	6	0	0	0	0	0	0
Bonus issues	16	19	17	7	5	8	8	3
Of which, scrip dividend	9	12	12	7	4	5	6	3
Capital increases by conversion ³	14	11	11	6	7	4	4	1
For non-monetary consideration ⁴	4	4	5	3	1	2	1	1
With pre-emptive subscription rights	6	5	12	1	5	6	3	1
Without trading warrants	15	16	11	6	3	4	4	1
Secondary offerings	0	4	6	2	3	1	0	0
NO. OF ISSUES								
Total	145	147	115	33	31	27	24	7
Capital increases	145	140	103	29	25	25	24	7
Primary offerings	5	8	0	0	0	0	0	0
Bonus issues	38	37	28	7	5	8	8	3
Of which, scrip dividend	20	28	22	7	4	5	6	3
Capital increases by conversion ³	50	43	31	9	11	5	6	1
For non-monetary consideration ⁴	17	9	7	3	1	2	1	1
With pre-emptive subscription rights	6	5	15	1	5	6	3	1
Without trading warrants	29	38	22	9	3	4	6	1
Secondary offerings	0	7	12	4	6	2	0	0
CASH VALUE (million euro)								
Total	39,126.2	32,762.4	37,067.4	15,719.6	11,728.8	4,458.9	5,160.0	628.2
Capital increases	39,126.2	27,875.5	28,735.8	11,015.9	8,941.2	3,618.6	5,160.0	628.2
Primary offerings	1,742.8	2,951.5	0.0	0.0	0.0	0.0	0.0	0.0
Bonus issues	9,932.8	12,650.8	9,627.8	2,843.6	2,647.2	1,387.9	2,749.1	475.2
Of which, scrip dividend	9,869.4	12,573.8	9,627.8	2,843.6	2,647.2	1,387.9	2,749.1	475.2
Capital increases by conversion ³	7,478.8	3,757.9	2,162.5	412.1	269.2	465.6	1,015.7	0.1
For non-monetary consideration ⁴	231.6	2,814.5	367.0	242.4	1.3	123.2	0.1	0.0
With pre-emptive subscription rights	11,463.1	2,790.8	7,932.6	6.2	5,683.2	1,196.1	1,047.1	89.0
Without trading warrants	8,277.1	2,909.9	8,645.9	7,511.5	340.4	445.9	348.0	64.0
Secondary offerings	0.0	4,886.9	8,331.6	4,703.7	2,787.6	840.3	0.0	0.0
NOMINAL VALUE (million euro)								
Total	20,135.9	4,768.5	4,253.4	1,742.7	1,129.0	812.8	568.9	103.5
Capital increases	20,135.9	4,472.6	3,153.3	965.4	1,071.5	547.5	568.9	103.5
Primary offerings	988.2	626.7	0.0	0.0	0.0	0.0	0.0	0.0
Bonus issues	1,458.6	1,258.2	946.6	241.2	172.2	262.9	270.3	47.5
Of which, scrip dividend	1,208.3	1,110.0	785.8	241.2	171.8	111.2	261.7	47.5
Capital increases by conversion ³	3,721.0	819.7	107.0	12.7	11.4	19.5	63.5	0.0
For non-monetary consideration ⁴	60.3	311.0	146.6	94.4	0.0	52.2	0.0	0.0
With pre-emptive subscription rights	8,021.7	1,185.7	1,190.7	6.2	860.1	191.9	132.4	36.8
Without trading warrants	5,886.0	271.3	762.3	610.9	27.7	20.9	102.8	19.2
Secondary offerings	0.0	295.9	1,100.2	777.2	57.6	265.3	0.0	0.0
Pro memoria: transactions MAB⁵								
No. of Issuers	7	9	16	5	2	3	7	1
No. of Issues	14	15	18	6	2	3	7	1
Cash value (million euro)	45.7	130.1	177.8	8.6	6.9	28.5	133.8	3.5
Capital increases	45.7	130.1	177.8	8.6	6.9	28.5	133.8	3.5
Of which, primary offerings	1.8	5.0	21.6	0.0	5.0	3.8	12.9	0.0
Secondary offerings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

2 Available data: January 2016.

3 Includes capital increases by conversion of bonds or debentures, by exercise of employee share options and by exercise of warrants.

4 Capital increases for non-monetary consideration are valued at market prices.

5 Unregistered transactions at the CNMV. Source: BME and CNMV.

Companies listed¹

TABLE 1.2

	2013	2014	2015	2015				2016
				I	II	III	IV	I ²
Total electronic market ³	123	129	129	129	132	132	129	129
Of which, without Nuevo Mercado	123	129	129	129	132	132	129	129
Of which, Nuevo Mercado	0	0	0	0	0	0	0	0
Of which, foreign companies	7	8	7	8	8	7	7	7
Second Market	7	6	5	5	5	5	5	5
Madrid	2	2	2	2	2	2	2	2
Barcelona	5	4	3	3	3	3	3	3
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry ex SICAVs	23	20	18	20	19	19	18	18
Madrid	11	9	8	9	9	9	8	8
Barcelona	13	12	10	12	11	11	10	10
Bilbao	7	7	6	7	7	7	6	6
Valencia	4	4	3	4	4	4	3	3
Open outcry SICAVs	0	0	0	0	0	0	0	0
MAB ⁴	3,066	3,269	3,429	3,295	3,343	3,388	3,429	3,429
Latibex	26	26	21	24	24	24	21	21

1 Data at the end of period.

2 Available data: January 2016.

3 Without ETFs (Exchange Traded Funds).

4 Alternative Stock Market.

Capitalisation¹

TABLE 1.3

Million euro	2013	2014	2015	2015				2016
				I	II	III	IV	I ²
Total electronic market ³	705,162.3	735,317.8	766,335.7	873,326.5	831,537.6	746,606.4	766,335.7	706,403.1
Of which, without Nuevo Mercado	705,162.3	735,317.8	766,335.7	873,326.5	831,537.6	746,606.4	766,335.7	706,403.1
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies ⁴	141,142.4	132,861.1	141,695.3	165,865.1	155,748.9	131,710.8	141,695.3	128,200.9
Ibex 35	430,932.9	479,378.5	477,521.1	552,490.4	524,207.8	468,078.9	477,521.1	441,444.9
Second Market	67.5	30.2	20.6	18.8	21.1	23.3	20.6	19.7
Madrid	18.3	15.8	20.6	18.8	21.1	23.3	20.6	19.7
Barcelona	49.3	14.4	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 ex SICAVs	2,906.2	2,466.6	1,040.3	2,647.5	1,094.0	1,088.6	1,040.3	1,092.6
Madrid	519.4	376.5	296.9	364.1	353.1	342.2	296.9	353.2
Barcelona	2,749.5	2,356.5	887.7	2,492.0	945.3	970.4	887.7	1,219.5
Bilbao	183.6	162.5	943.3	243.3	1,086.5	963.8	943.3	10,608.1
Valencia	342.5	326.4	150.0	219.7	218.0	219.4	150.0	130.4
Open outcry SICAVs ⁵	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB ^{5,6}	32,171.2	34,306.0	37,258.5	36,936.9	37,432.7	35,380.9	37,258.5	35,491.8
Latibex	270,926.9	286,229.2	116,573.4	217,888.1	287,640.4	170,167.1	116,573.4	146,368.3

1 Data at the end of period.

2 Available data: January 2016.

3 Without ETFs (Exchange Traded Funds).

4 Foreign companies capitalisation includes their entire shares, whether they are deposited in Spain or not.

5 Calculated only with outstanding shares, not including treasury shares, because capital stock is not reported until the end of the year.

6 Alternative Stock Market.

Trading

TABLE 1.4

Million euro	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
Total electronic market ²	693,168.0	864,443.5	938,396.7	254,754.3	253,265.5	217,212.0	213,164.9	73,110.4
Of which, without Nuevo Mercado	693,168.0	864,443.5	938,396.7	254,754.3	253,265.5	217,212.0	213,164.9	73,110.4
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies	5,640.5	14,508.9	12,417.7	3,730.2	6,520.4	1,181.3	985.7	327.0
Second Market	1.7	0.7	13.8	0.5	9.7	3.4	0.2	0.0
Madrid	1.4	0.5	13.7	0.5	9.7	3.4	0.1	0.0
Barcelona	0.3	0.2	0.1	0.0	0.0	0.0	0.1	0.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry ex SICAVs	51.4	92.5	246.1	16.5	203.3	2.6	23.7	0.6
Madrid	7.3	32.6	19.4	6.5	1.1	0.8	11.0	0.5
Barcelona	44.1	45.2	219.1	7.2	202.2	1.7	8.0	0.0
Bilbao	0.1	14.3	7.5	2.8	0.0	0.0	4.7	0.0
Valencia	0.0	0.3	0.1	0.0	0.0	0.1	0.0	0.0
Open outcry SICAVs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB ³	5,896.3	7,723.3	6,441.7	1,944.0	1,621.4	1,156.0	1,720.3	409.4
Latibex	367.3	373.1	258.7	85.4	67.6	59.3	46.4	16.3

1 Available data: January 2016.

2 Without ETFs (Exchange Traded Funds).

3 Alternative Stock Market.

Trading on the electronic market by type of transaction¹

TABLE 1.5

Million euro	2013	2014	2015	2015				2016
				I	II	III	IV	I ²
Regular trading	668,553.2	831,962.6	903,397.2	235,615.5	245,715.4	214,071.9	207,994.4	71,725.5
Orders	346,049.6	453,294.9	475,210.0	138,080.4	123,180.8	113,392.9	100,555.9	32,968.5
Put-throughs	56,565.3	73,056.9	96,187.7	23,217.1	25,477.2	24,336.6	23,156.8	8,965.4
Block trades	265,938.3	305,610.8	331,999.5	74,318.1	97,057.4	76,342.4	84,281.7	29,791.6
Off-hours	7,654.7	7,568.8	3,137.9	1,750.5	941.4	361.1	84.8	29,791.6
Authorised trades	4,839.9	7,808.9	14,885.5	11,316.1	1,219.3	1,090.0	1,260.1	853.9
Art. 36.1 SML trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	326.5	175.3	4,360.1	13.8	3,183.0	173.6	989.7	0.0
Public offerings for sale	396.1	6,143.4	4,266.8	4,266.8	0.0	0.0	0.0	0.0
Declared trades	379.7	410.9	203.6	0.0	190.0	13.6	0.0	0.0
Options	7,083.5	6,954.1	5,964.2	1,254.5	1,420.5	956.8	2,332.4	63.0
Hedge transactions	3,934.4	3,419.5	2,181.4	537.0	596.0	545.0	503.4	113.4

1 Without ETFs (Exchange Traded Funds).

2 Available data: January 2016.

Margin trading for sales and securities lending

TABLE 1.6

Million euro	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
TRADING								
Securities lending ²	464,521.5	599,051.5	691,486.7	161,106.1	201,952.7	167,537.8	160,890.1	60,835.9
Margin trading for sales of securities ³	326.8	357.9	178.2	108.0	63.2	7.0	0.0	0.0
Margin trading for securities purchases ³	34.1	16.2	6.4	2.4	3.7	0.3	0.0	0.0
OUTSTANDING BALANCE								
Securities lending ²	43,398.9	61,076.1	79,952.8	74,304.7	76,628.8	74,169.5	79,952.8	75,906.6
Margin trading for sales of securities ³	7.3	6.4	0.0	17.4	9.4	0.0	0.0	0.0
Margin trading for securities purchases ³	0.6	0.4	0.0	0.5	0.6	0.0	0.0	0.0

1 Available data: January 2016.

2 Regulated by Article 36.7 of the Securities Market Law and Order ECO/764/2004.

3 Transactions performed in accordance with Ministerial Order dated 25 March 1991 on the margin system in spot transactions.

1.2 Fixed-income

Gross issues registered at the CNMV

TABLE 1.7

	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
NO. OF ISSUERS								
Total	49	46	49	17	18	14	29	12
Mortgage covered bonds	12	13	13	8	5	6	8	5
Territorial covered bonds	5	3	3	1	2	1	1	0
Non-convertible bonds and debentures	11	16	16	9	8	7	10	5
Convertible bonds and debentures	4	1	1	0	0	0	1	0
Backed securities	18	13	16	1	5	2	9	1
Commercial paper	20	18	16	6	3	2	5	4
Of which, asset-backed	0	1	1	1	0	0	0	1
Of which, non-asset-backed	20	17	15	5	3	2	5	3
Other fixed-income issues	0	0	0	0	0	0	0	0
Preference shares	0	0	0	0	0	0	0	0
NO. OF ISSUES								
Total	297	662	416	92	127	77	120	26
Mortgage covered bonds	40	27	34	9	9	8	8	5
Territorial covered bonds	6	3	6	1	3	1	1	0
Non-convertible bonds and debentures	170	578	319	74	103	62	80	15
Convertible bonds and debentures	8	1	1	0	0	0	1	0
Backed securities	53	35	40	2	9	4	25	2
Commercial paper ²	20	18	16	6	3	2	5	4
Of which, asset-backed	0	1	1	1	0	0	0	1
Of which, non-asset-backed	20	17	15	5	3	2	5	3
Other fixed-income issues	0	0	0	0	0	0	0	0
Preference shares	0	0	0	0	0	0	0	0
NOMINAL AMOUNT (million euro)								
Total	138,838.6	130,258.4	136,907.3	36,632.8	31,006.2	22,019.4	47,248.9	6,442.3
Mortgage covered bonds	24,799.7	23,838.0	31,375.0	8,300.0	8,025.0	8,050.0	7,000.0	3,250.0
Territorial covered bonds	8,115.0	1,853.3	10,400.0	3,500.0	3,500.0	3,000.0	400.0	0.0
Non-convertible bonds and debentures	32,536.9	41,154.7	39,399.9	13,900.7	3,761.2	2,494.5	19,243.6	580.9
Convertible bonds and debentures	803.3	750.0	53.2	0.0	0.0	0.0	53.2	0.0
Backed securities	28,592.9	29,008.0	28,369.6	3,000.0	11,773.3	1,950.0	11,646.3	750.0
Spanish tranche	24,980.1	26,972.1	25,147.2	3,000.0	9,506.5	1,950.0	10,690.7	750.0
International tranche	3,612.8	2,035.9	3,222.4	0.0	2,266.8	0.0	955.6	0.0
Commercial paper ³	43,990.8	33,654.4	27,309.6	7,932.2	3,946.7	6,524.9	8,905.8	1,861.4
Of which, asset-backed	1,410.0	620.0	2,420.0	940.0	480.0	400.0	600.0	0.0
Of which, non-asset-backed	42,580.8	33,034.4	24,889.6	6,992.2	3,466.7	6,124.9	8,305.8	1,861.4
Other fixed-income issues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pro memoria:								
Subordinated issues	4,776.0	7,999.3	5,254.2	660.0	1,810.0	741.6	2,042.6	472.0
Underwritten issues	193.0	195.8	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: January 2016.

2 Shelf registrations.

3 The figures for commercial paper refer to the amount placed.

Issues admitted to trading on AIAF¹

TABLE 1.8

Nominal amount in million euro	2013	2014	2015	2015				2016
				I	II	III	IV	I ²
Total	130,467.7	114,956.4	145,890.9	56,856.7	29,662.7	29,008.1	30,363.5	21,160.0
Commercial paper	45,228.6	33,493.1	27,455.3	7,533.0	4,530.8	6,229.7	9,161.8	1,980.7
Bonds and debentures	22,414.4	25,712.5	47,616.4	39,523.8	3,273.1	2,679.1	2,140.5	16,929.3
Mortgage covered bonds	25,399.7	24,438.0	31,375.0	6,300.0	10,025.0	8,050.0	7,000.0	1,500.0
Territorial covered bonds	8,115.0	1,853.3	10,400.0	3,500.0	500.0	6,000.0	400.0	0.0
Backed securities	29,309.9	29,459.5	29,044.2	0.0	11,333.8	6,049.3	11,661.1	750.0
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Matador bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Includes only corporate bonds.

2 Available data: January 2016.

AIAF. Issuers, issues and outstanding balance

TABLE 1.9

	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
NO. OF ISSUERS								
Total	493	465	388	443	417	419	388	386
Corporate bonds	492	464	387	442	416	418	387	385
Commercial paper	30	19	16	17	16	16	16	14
Bonds and debentures	91	79	64	76	73	73	64	64
Mortgage covered bonds	48	49	44	47	45	44	44	43
Territorial covered bonds	12	9	9	9	10	9	9	9
Backed securities	341	329	278	316	297	299	278	277
Preference shares	34	23	13	16	13	13	13	13
Matador bonds	9	9	7	9	9	9	7	7
Government bonds	1	1	1	1	1	1	1	1
Letras del Tesoro	1	1	1	1	1	1	1	1
Long Government bonds	1	1	1	1	1	1	1	1
NO. OF ISSUES								
Total	5,060	3,345	2,723	2,857	2,777	2,732	2,723	2,731
Corporate bonds	4,907	3,192	2,531	2,694	2,615	2,537	2,531	2,536
Commercial paper	2,529	1,130	392	456	399	380	392	384
Bonds and debentures	558	495	882	786	822	826	882	904
Mortgage covered bonds	328	283	238	256	244	241	238	233
Territorial covered bonds	52	39	32	34	35	31	32	31
Backed securities	1,334	1,188	966	1,120	1,084	1,034	966	961
Preference shares	94	47	16	33	22	16	16	16
Matador bonds	12	10	7	9	9	9	7	7
Government bonds	153	153	193	163	162	195	193	195
Letras del Tesoro	12	12	12	12	12	12	12	12
Long Government bonds	141	141	181	151	150	183	181	183
OUTSTANDING BALANCE² (million euro)								
Total	1,442,270.2	1,374,947.5	1,386,289.8	1,374,947.5	1,381,434.3	1,390,566.9	1,386,289.8	1,388,862.5
Corporate bonds	708,601.8	581,825.3	534,088.9	581,825.3	575,524.0	563,727.9	534,088.9	538,355.5
Commercial paper	28,816.3	20,361.6	15,172.9	20,361.6	15,993.3	15,827.3	15,172.9	14,689.5
Bonds and debentures	132,076.6	74,076.5	74,082.2	74,076.5	96,235.04	95,543.4	74,082.2	89,359.4
Mortgage covered bonds	246,967.9	208,314.2	194,072.7	208,314.2	195,042.2	194,646.4	194,072.7	184,647.7
Territorial covered bonds	29,793.5	24,671.3	27,586.3	24,671.3	28,171.3	22,971.3	27,586.3	27,336.3
Backed securities	269,176.8	253,045.1	222,100.4	253,045.1	238,823.6	233,535.7	222,100.4	221,248.1
Preference shares	1,076.2	782.1	627.4	782.1	684.2	629.6	627.4	627.4
Matador bonds	694.6	574.4	447.1	574.4	574.4	574.4	447.1	447.1
Government bonds	733,668.3	793,122.3	852,200.9	793,122.3	805,910.3	826,838.9	852,200.9	850,507.0
Letras del Tesoro	89,174.4	77,926.1	82,435.4	77,926.1	77,345.3	78,127.0	82,435.4	82,024.0
Long Government bonds	644,493.9	715,196.2	769,765.5	715,196.2	728,565.0	748,711.9	769,765.5	768,483.0

1 Available data: January 2016.

2 Nominal amount.

AIAF. Trading

TABLE 1.10

Nominal amount in million euro	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
BY TYPE OF ASSET								
Total	1,400,757.7	1,118,963.7	521,853.7	157,221.6	174,511.7	84,989.0	105,131.4	12,719.3
Corporate bonds	1,400,601.6	1,118,719.6	521,590.4	157,106.4	174,451.0	84,955.1	105,077.8	12,713.5
Commercial paper	112,559.8	48,817.3	31,346.2	8,732.7	7,591.7	6,905.2	8,116.7	1,619.9
Bonds and debentures	295,191.7	269,659.8	78,120.5	33,521.9	24,757.5	6,498.2	13,342.8	987.2
Mortgage covered bonds	341,674.0	376,273.3	187,201.7	64,085.0	52,685.2	31,768.1	38,663.4	8,149.8
Territorial covered bonds	86,758.6	82,023.2	46,711.4	6,355.8	20,787.2	8,038.4	11,530.0	25.1
Backed securities	538,064.8	341,827.8	177,844.1	44,392.1	68,590.5	31,713.2	33,148.4	1,926.8
Preference shares	26,256.0	97.7	295.5	16.6	12.9	8.0	258.0	4.7
Matador bonds	96.7	20.5	71.1	2.4	26.1	24.0	18.5	0.1
Government bonds	156.1	244.1	263.3	115.2	60.7	33.8	53.6	5.8
Letras del Tesoro	11.6	30.7	30.2	13.4	8.4	8.4	0.0	0.0
Long Government bonds	144.4	213.4	233.1	101.8	52.3	25.4	53.6	5.8
BY TYPE OF TRANSACTION								
Total	1,400,757.6	1,118,963.7	521,853.7	157,221.6	174,511.7	84,989.0	105,131.4	12,719.3
Outright	290,633.0	396,341.0	239,086.8	78,416.1	64,054.0	42,729.2	53,887.6	9,794.5
Repos	69,063.3	29,800.4	7,144.5	4,671.4	3,205.6	3,132.4	3,881.8	875.8
Sell-buybacks/Buy-sellbacks	1,041,061.3	692,822.2	267,875.7	74,134.2	107,252.1	39,127.3	47,362.0	2,049.0

1 Available data: January 2016.

AIAF. Third-party trading. By purchaser sector

TABLE 1.11

Nominal amount in million euro	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
Total	275,939.0	262,527.8	193,694.8	49,901.5	51,803.8	40,629.2	51,360.3	9,276.3
Non-financial companies	45,351.7	30,843.4	22,747.1	8,496.7	6,768.9	1,640.2	5,841.2	910.5
Financial institutions	163,671.3	132,114.5	95,467.1	25,238.1	30,071.1	20,437.7	19,720.2	4,677.1
Credit institutions	97,674.3	87,475.6	74,196.0	20,653.8	23,260.4	16,223.5	14,058.2	3,004.9
IICs ² , insurance and pension funds	59,371.8	34,205.9	8,835.4	2,066.5	2,074.0	1,228.4	3,466.4	689.5
Other financial institutions	6,625.2	10,433.1	12,435.7	2,517.8	4,736.6	2,985.7	2,195.6	982.7
General government	2,438.8	5,067.3	10,414.4	2,313.0	2,374.3	4,684.8	1,042.3	420.1
Households and NPISHs ³	8,598.4	2,861.8	1,575.2	441.3	286.7	527.4	319.8	124.2
Rest of the world	55,878.8	91,640.7	63,491.1	13,412.4	12,302.8	13,339.1	24,436.8	3,144.4

1 Available data: January 2016.

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

3 Non-profit institutions serving households.

Issues admitted to trading on equity markets¹

TABLE 1.12

NOMINAL AMOUNTS (million euro)	2013	2014	2015	2015				2016
				I	II	III	IV	I ²
Total	779.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-convertible bonds and debentures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Convertible bonds and debentures	779.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NO. OF ISSUES								
Total	2	0	0	0	0	0	0	0
Non-convertible bonds and debentures	0	0	0	0	0	0	0	0
Convertible bonds and debentures	2	0	0	0	0	0	0	0
Backed securities	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0

1 Includes only corporate bonds.

2 Available data: January 2016.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.13

NO. OF ISSUERS	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
Total	40	28	20	27	24	23	20	19
Private issuers	27	17	10	16	13	12	10	9
Non-financial companies	2	0	0	0	0	0	0	0
Financial institutions	25	17	10	16	13	12	10	9
General government ²	13	11	10	11	11	11	10	10
Regional governments	3	3	2	3	3	3	2	2
NO. OF ISSUES								
Total	197	165	103	148	133	115	103	97
Private issuers	89	65	43	58	52	47	43	37
Non-financial companies	2	0	0	0	0	0	0	0
Financial institutions	87	65	43	58	52	47	43	37
General government ²	108	100	60	90	81	68	60	60
Regional governments	64	56	25	45	37	29	25	24
OUTSTANDING BALANCES³ (million euro)								
Total	25,284.5	16,800.4	11,702.2	16,311.6	14,650.0	12,614.9	11,702.2	11,133.8
Private issuers	8,317.5	3,401.2	1,383.3	3,286.7	3,082.8	2,406.9	1,383.3	1,223.6
Non-financial companies	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	8,315.5	3,401.2	1,383.3	3,286.7	3,082.8	2,406.9	1,383.3	1,223.6
General government ²	16,967.0	13,399.2	10,319.0	13,024.9	11,567.2	10,208.0	10,319.0	9,910.3
Regional governments	15,716.3	12,227.2	9,320.2	11,826.8	10,491.6	9,156.3	9,320.2	8,911.7

1 Available data: January 2016.

2 Without public book-entry debt.

3 Nominal amount.

Trading on equity markets

TABLE 1.14

Nominal amounts in million euro	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
Electronic market	1,592.6	861.2	19.3	7.9	5.8	4.2	1.4	0.0
Open outcry	3,388.3	5,534.0	2,050.2	371.9	166.9	787.7	723.7	156.3
Madrid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barcelona	3,197.4	5,527.0	2,050.2	371.9	166.9	787.7	723.7	156.3
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	190.9	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Public book-entry debt	137.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional governments debt	41,062.2	42,677.2	22,169.0	8,695.0	8,408.1	2,809.4	2,256.4	187.8

1 Available data: January 2016.

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

TABLE 1.15

Nominal amounts in million euro	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
Total	64,011.0	103,044.0	101,555.0	25,001.0	19,846.0	23,871.0	32,837.0	8,929.0
Outright	64,011.0	103,044.0	101,555.0	25,001.0	19,846.0	23,871.0	32,837.0	8,929.0
Sell-buybacks/Buy-sellbacks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: January 2016.

1.3 Derivatives and other products

1.3.1 Financial derivatives markets: MEFF

Trading on MEFF

TABLE 1.16

Number of contracts	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
Debt products	13,667	4,690	8,012	3,161	3,035	1,200	616	103
Debt futures ²	13,667	4,690	8,012	3,161	3,035	1,200	616	103
Ibex 35 products ^{3,4}	6,416,073	7,728,494	8,007,732	2,049,373	2,061,268	2,011,131	1,885,960	719,471
Ibex 35 plus futures	5,578,607	6,924,068	7,384,896	1,862,228	1,909,834	1,869,745	1,743,089	667,828
Ibex 35 mini futures	198,736	304,891	318,129	85,381	81,209	79,730	71,809	29,206
Ibex 35 dividend impact futures	3,520	23,939	32,499	12,672	1,775	4,731	13,321	6,135
Call mini options	308,084	302,255	162,739	59,843	41,718	32,010	29,168	8,424
Put mini options	327,126	173,342	109,469	29,249	26,732	24,915	28,573	7,878
Stock products ⁵	35,884,393	27,697,961	21,058,013	6,240,356	5,207,461	4,271,600	5,338,597	1,308,767
Futures	14,927,659	12,740,105	10,054,830	3,659,690	2,616,035	1,709,635	2,069,470	624,455
Stock dividend futures	66,650	236,151	292,840	57,328	75,637	61,935	97,940	49,211
Call options	10,534,741	5,773,662	4,286,044	1,180,078	1,114,025	975,618	1,016,324	395,242
Put options	10,355,343	8,948,043	6,424,299	1,343,260	1,401,764	1,524,412	2,154,863	239,859
Pro memoria: MEFF trading on Eurex								
Debt products ⁶	167,827	172,883	149,378	40,474	55,580	24,938	28,388	10,558
Index products ⁷	111,924	56,356	49,119	15,169	15,682	9,983	8,285	3,662

1 Available data: January 2016.

2 Contract size: 100 thousand euros.

3 The number of Ibex 35 mini futures (multiples of 1 euro) was standardised to the size of the Ibex 35 plus futures (multiples of 10 euro).

4 Contract size: Ibex 35, 10 euros.

5 Contract size: 100 Stocks.

6 Bund, Bobl, Schatz, Bon, Btp, Bts, Bux and Oat futures.

7 Dax 30, DJ Eurostoxx 50, DJ Stoxx 50 and MiniDax futures.

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

Issues registered at the CNMV

TABLE 1.17

	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
WARRANTS²								
Premium amount (million euro)	3,621.2	3,644.2	3,479.1	1,115.3	574.7	735.6	1,053.4	249.7
On stocks	2,211.8	1,770.9	1,807.3	606.1	295.8	321.9	583.5	124.9
On indexes	1,122.6	1,697.3	1,486.1	428.5	242.9	389.1	425.7	115.8
Other underlyings ³	286.8	176.0	185.6	80.7	36.1	24.6	44.2	9.1
Number of issues	8,347	8,574	9,059	2,834	1,611	1,792	2,822	547
Number of issuers	7	6	7	6	4	5	6	3
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On indexes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other underlyings ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of issues	0	0	0	0	0	0	0	0
Number of issuers	0	0	0	0	0	0	0	0

1 Available data: January 2016.

2 Includes issuance and trading prospectuses.

3 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.

Equity markets. Warrants and ETF trading

TABLE 1.18

	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
WARRANTS								
Trading (million euro)	752.7	817.7	1,095.9	335.2	304.4	247.8	208.5	64.1
On Spanish stocks	379.4	379.8	303.6	96.9	82.7	60.2	63.8	19.6
On foreign stocks	86.3	51.2	66.7	22.6	18.7	12.9	12.5	3.1
On indexes	255.4	364.3	692.0	202.6	193.1	167.9	128.4	39.9
Other underlyings ²	31.6	22.4	33.6	13.2	9.9	6.7	3.7	1.4
Number of issues ³	7,299	7,612	7,530	3,463	3,277	2,934	2,635	1,412
Number of issuers ³	8	8	9	7	7	8	9	8
CERTIFICATES								
Trading (million euro)	1.0	1.7	1.1	0.1	0.0	0.6	0.5	0.0
Number of issues ³	2	2	2	2	2	2	2	2
Number of issuers ³	1	1	1	1	1	1	1	1
ETFs								
Trading (million euro)	2,736.0	9,849.5	12,633.8	3,159.8	3,263.8	3,577.9	2,632.2	766.6
Number of funds	72	70	58	70	69	69	58	58
Assets ⁴ (million euro)	382.0	436.1	436	520	550	486	485	n.a.

1 Available data: January 2016.

2 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.

3 Issues or issuers which were traded in each period.

4 Assets from national collective investment schemes is only included because assets from foreign ones are not available.

1.3.3 Non-financial derivatives

Trading on MFAO¹

TABLE 1.19

	2013	2014	2015	2015				2016
				I	II	III	IV	I ²
Number of contracts								
On olive oil								
Extra-virgin olive oil futures ³	88,605	38,964	0	0	0	0	0	0

1 Olive oil futures market.

2 Available data: January 2016.

3 Nominal amount of the contract: 1,000 kg.

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
BROKER-DEALERS								
Spanish firms	41	40	39	40	38	38	38	39
Branches	20	22	25	22	21	21	22	25
Agents	6,269	6,096	5,819	6,096	6,116	6,268	6,354	5,819
BROKERS								
Spanish firms	41	38	39	38	37	37	39	39
Branches	11	21	21	21	19	19	21	21
Agents	520	462	468	462	466	473	470	468
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	5	5	3	5	5	4	4	3
Branches	5	5	9	5	5	5	5	9
Agents	1	1	0	1	1	1	1	0
FINANCIAL ADVISORY FIRMS								
Spanish firms	126	143	154	143	143	149	150	154
Branches	9	11	11	11	11	12	11	11
CREDIT INSTITUTIONS¹								
Spanish firms	141	137	134	137	137	134	134	134

¹ Source: Banco de España.

Investment services. Foreign firms

TABLE 2.2

	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
Total	3,104	3,102	3,183	3,102	3,130	3,128	3,151	3,183
Investment services firms	2,650	2,641	2,723	2,641	2,671	2,669	2,691	2,723
From EU member states	2,647	2,639	2,720	2,639	2,668	2,666	2,688	2,720
Branches	38	39	42	39	40	40	42	42
Free provision of services	2,609	2,600	2,678	2,600	2,628	2,626	2,646	2,678
From non-EU states	3	2	3	2	3	3	3	3
Branches	0	0	0	0	0	0	0	0
Free provision of services	3	2	3	2	3	3	3	3
Credit institutions ¹	454	461	460	461	459	459	460	460
From EU member states	444	452	451	452	450	450	451	451
Branches	52	54	53	54	54	54	53	53
Free provision of services	392	398	398	398	396	396	398	398
Subsidiaries of free provision of services institutions	0	0	0	0	0	0	0	0
From non-EU states	10	9	9	9	9	9	9	9
Branches	8	6	6	6	6	6	6	6
Free provision of services	2	3	3	3	3	3	3	3

¹ Source: Banco de España and CNMV.

Intermediation of spot transactions¹

TABLE 2.3

Million euro	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
FIXED-INCOME								
Total	10,492,026.8	9,264,859.8	5,365,817.4	1,720,211.4	1,711,077.5	1,405,666.4	1,134,941.3	1,114,132.2
Broker-dealers	5,217,059.4	4,989,059.9	3,774,816.3	1,099,864.3	1,189,914.6	1,021,811.5	799,467.0	763,623.2
Spanish organised markets	2,597,608.6	2,372,515.0	1,909,130.4	557,762.8	625,586.4	546,559.9	401,189.0	335,795.1
Other Spanish markets	2,310,403.7	2,388,868.8	1,689,702.4	500,531.5	504,753.7	437,936.6	359,034.3	387,977.8
Foreign markets	309,047.1	227,676.1	175,983.6	41,570.0	59,574.5	37,315.0	39,243.7	39,850.4
Brokers	5,274,967.4	4,275,799.9	1,591,001.2	620,347.1	521,162.9	383,854.9	335,474.3	350,509.1
Spanish organised markets	69,066.6	89,472.6	14,160.0	13,397.9	4,233.9	3,241.3	4,423.8	2,261.0
Other Spanish markets	5,007,723.4	3,955,091.6	1,402,106.3	559,943.7	454,161.1	340,405.4	299,276.2	308,263.6
Foreign markets	198,177.4	231,235.7	174,734.8	47,005.5	62,767.9	40,208.2	31,774.3	39,984.4
EQUITY								
Total	692,872.0	940,623.2	1,020,289.7	287,804.5	280,029.2	261,073.4	213,264.9	265,922.1
Broker-dealers	650,094.9	875,037.7	914,649.2	261,305.9	269,822.4	241,888.9	193,200.2	209,737.6
Spanish organised markets	590,027.1	814,349.4	855,883.2	245,637.5	254,159.7	225,587.1	180,329.1	195,807.3
Other Spanish markets	2,585.4	2,828.5	3,327.8	802.2	1,022.7	898.3	590.4	816.3
Foreign markets	57,482.4	57,859.8	55,438.2	14,866.2	14,640.0	15,403.5	12,280.7	13,114.0
Brokers	42,777.1	65,585.5	105,640.5	26,498.6	10,206.8	19,184.5	20,064.7	56,184.5
Spanish organised markets	14,677.2	16,726.7	14,207.3	4,430.9	4,028.0	3,753.5	3,349.1	3,076.7
Other Spanish markets	9,140.4	14,009.1	13,769.0	6,198.7	1,512.5	2,816.7	2,973.6	6,466.2
Foreign markets	18,959.5	34,849.7	77,664.0	15,869.0	4,666.3	12,614.3	13,741.9	46,641.5

¹ Period accumulated data. Quarterly.

Intermediation of derivative transactions^{1,2}

TABLE 2.4

Million euro	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
Total	6,316,221.8	10,095,572.3	12,104,474.1	3,919,675.7	2,779,120.5	3,038,237.6	3,222,631.1	3,064,484.9
Broker-dealers	6,110,753.4	9,918,555.0	11,958,716.1	3,877,282.8	2,757,477.2	2,998,514.6	3,182,974.1	3,019,750.2
Spanish organised markets	2,410,367.9	4,625,999.8	6,215,223.3	1,746,550.0	1,485,199.0	1,549,034.6	1,659,817.4	1,521,172.3
Foreign organised markets	3,423,638.5	4,913,770.3	5,386,722.4	2,043,274.0	1,213,448.6	1,389,688.8	1,432,185.7	1,351,399.3
Non-organised markets	276,747.0	378,784.9	356,770.5	87,458.8	58,829.6	59,791.2	90,971.1	147,178.6
Brokers	205,468.4	177,017.3	145,758.0	42,392.9	21,643.3	39,723.0	39,657.0	44,734.7
Spanish organised markets	4,668.8	6,881.8	7,510.9	1,081.6	1,268.2	1,285.3	2,115.4	2,842.0
Foreign organised markets	29,584.9	37,016.8	27,846.8	14,028.2	4,247.1	5,970.4	7,148.0	10,481.3
Non-organised markets	171,214.7	133,118.7	110,400.4	27,283.1	16,128.0	32,467.3	30,393.6	31,411.5

¹ The amount of the buy and sell transactions of financial assets, financial futures on values and interest rates, and other transactions on interest rates will be the securities nominal or notional value or the principal to which the contract reaches. The amount of the transactions on options will be the strike price of the underlying asset multiplied by the number of instruments committed.

² Period accumulated data. Quarterly.

Portfolio management. Number of portfolios and assets under management¹

TABLE 2.5

Million euro	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
NUMBER OF PORTFOLIOS								
Total	11,380	13,483	13,713	13,483	14,074	14,474	14,896	13,713
Broker-dealers. Total	4,001	4,741	5,711	4,741	4,847	4,975	5,168	5,711
IIC ²	59	63	60	63	62	65	65	60
Other ³	3,942	4,678	5,651	4,678	4,785	4,910	5,103	5,651
Brokers. Total	3,699	4,484	5,681	4,484	4,950	5,354	5,534	5,681
IIC ²	57	63	95	63	63	66	70	95
Other ³	3,642	4,421	5,586	4,421	4,887	5,288	5,464	5,586
Portfolio management companies. Total	3,680	4,258	2,321	4,258	4,277	4,145	4,194	2,321
IIC ²	12	5	1	5	5	1	1	1
Other ³	3,668	4,253	2,320	4,253	4,272	4,144	4,193	2,320
ASSETS UNDER MANAGEMENT (thousand euro)								
Total	10,692,140	11,661,203	9,201,678	11,661,203	12,419,967	12,187,689	12,092,945	9,201,678
Broker-dealers. Total	4,171,331	4,905,630	5,406,804	4,905,630	5,168,610	5,125,196	5,039,779	5,406,804
IIC ²	1,160,986	1,371,924	1,546,293	1,371,924	1,503,201	1,498,082	1,466,505	1,546,293
Other ³	3,010,345	3,533,706	3,860,511	3,533,706	3,665,409	3,627,114	3,573,274	3,860,511
Brokers. Total	2,284,773	1,935,646	2,565,132	1,935,646	2,196,350	2,168,348	2,230,847	2,565,132
IIC ²	610,839	846,244	1,448,260	846,244	1,060,456	1,061,598	1,155,605	1,448,260
Other ³	1,673,934	1,089,403	1,116,872	1,089,403	1,135,894	1,106,750	1,075,242	1,116,872
Portfolio management companies. Total	4,236,036	4,819,927	1,229,742	4,819,927	5,055,007	4,894,145	4,822,320	1,229,742
IIC ²	195,735	118,847	15,729	118,847	125,495	17,339	15,322	15,729
Other ³	4,040,301	4,701,080	1,214,013	4,701,080	4,929,512	4,876,806	4,806,998	1,214,013

1 Data at the end of period. Quarterly.

2 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes. Includes both resident and non-resident IICs management.

3 Includes the rest of clients, both covered and not covered by the Investment Guarantee Fund, an investor compensation scheme regulated by Royal Decree 948/2001.

Financial advice. Number of contracts^{1,2}

TABLE 2.6

Million euro	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
NUMBER OF CONTRACTS								
Total	11,730	12,761	14,566	12,761	12,641	12,886	13,562	14,566
Broker-dealers. Total ³	3,074	3,437	1,180	3,437	1,210	1,198	1,202	1,180
Retail clients	3,041	3,409	1,159	3,409	1,178	1,173	1,177	1,159
Professional clients	10	11	9	11	15	11	11	9
Brokers. Total ³	6,919	7,511	11,456	7,511	9,634	9,832	10,507	11,456
Retail clients	6,617	7,322	11,247	7,322	9,425	9,624	10,298	11,247
Professional clients	279	169	176	169	179	177	177	176
Portfolio management companies. Total ³	1,737	1,813	1,930	1,813	1,797	1,856	1,853	1,930
Retail clients	1,732	1,805	1,928	1,805	1,793	1,855	1,852	1,928
Professional clients	5	8	2	8	4	1	1	2

1 Data at the end of period. Quarterly.

 2 Quarterly data on assets advised are not available since the enter into force of Circular 3/2014, of 22nd October, of the Comisión Nacional del Mercado de Valores.

3 Includes retail, professional and other clients.

Aggregated income statement. Broker-dealers

TABLE 2.7

Thousand euro ¹	2013	2014	2015	2014		2015		
				IV	I	II	III	IV
I. Interest income	67,333	74,177	55,570	74,177	7,985	19,859	39,104	55,570
II. Net commission	387,216	445,317	422,542	445,317	118,547	229,613	326,720	422,542
Commission revenues	565,787	633,263	614,705	633,263	170,459	327,200	474,430	614,705
Brokering	347,522	342,462	322,857	342,462	95,029	175,630	249,783	322,857
Placement and underwriting	4,824	21,414	11,556	21,414	239	6,594	10,659	11,556
Securities deposit and recording	17,987	22,347	24,358	22,347	5,934	12,211	18,355	24,358
Portfolio management	15,581	21,046	22,541	21,046	6,276	11,744	16,133	22,541
Design and advising	18,597	19,502	2,930	19,502	3,772	1,779	2,575	2,930
Stocks search and placement	8,659	4,367	1,497	4,367	55	744	1,420	1,497
Market credit transactions	22	0	0	0	0	0	0	0
IICs ² marketing	51,766	62,948	73,889	62,948	17,379	36,225	54,906	73,889
Other	100,829	139,177	155,077	139,177	41,775	82,274	120,599	155,077
Commission expenses	178,571	187,946	192,163	187,946	51,912	97,587	147,710	192,163
III. Financial investment income	256,110	222,077	215,861	222,077	55,799	114,846	186,154	215,861
IV. Net exchange differences and other								
operating products and expenses	-138,467	-96,425	-128,200	-96,425	-23,775	-56,310	-117,105	-128,200
V. Gross income	572,192	645,146	565,773	645,146	158,556	308,008	434,873	565,773
VI. Operating income	185,040	265,509	186,771	265,509	61,578	109,895	151,869	186,771
VII. Earnings from continuous activities	140,805	192,467	141,291	192,467	50,560	93,159	128,364	141,291
VIII. Net earnings of the period	140,805	192,467	141,291	192,467	50,560	93,159	128,364	141,291

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

2 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousand euro ¹	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
TOTAL								
Total	192,753	200,010	137,327	200,010	37,798	77,953	108,105	137,327
Money market assets and public debt	17,163	12,342	9,327	12,342	3,325	5,422	7,259	9,327
Other fixed-income securities	55,096	31,631	24,795	31,631	9,454	14,995	21,497	24,795
Domestic portfolio	42,328	23,038	8,990	23,038	3,936	6,725	9,417	8,990
Foreign portfolio	12,768	8,593	15,805	8,593	5,518	8,270	12,080	15,805
Equities	17,869	800,035	112,943	800,035	160,100	143,100	52,417	112,943
Domestic portfolio	44,517	112,635	18,141	112,635	7,922	14,208	12,172	18,141
Foreign portfolio	-26,648	687,400	94,802	687,400	152,178	128,892	40,245	94,802
Derivatives	207,347	-565,800	109,668	-565,800	-111,864	-34,258	135,442	109,668
Repurchase agreements	1,378	345	-248	345	-32	-96	-165	-248
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial Intermediaries	3,405	1,205	1,605	1,205	388	329	895	1,605
Net exchange differences	-149,034	-110,807	-142,545	-110,807	-27,423	-63,866	-127,967	-142,545
Other operating products and expenses	10,565	14,384	14,344	14,384	3,648	7,555	10,862	14,344
Other transactions	28,964	16,675	7,438	16,675	202	4,772	7,865	7,438
INTEREST INCOME								
Total	67,333	74,177	55,570	74,177	7,986	19,860	39,103	55,570
Money market assets and public debt	4,356	2,123	2,156	2,123	399	725	1,056	2,156
Other fixed-income securities	4,572	3,371	2,731	3,371	802	1,391	2,083	2,731
Domestic portfolio	3,149	2,147	1,534	2,147	518	807	1,188	1,534
Foreign portfolio	1,423	1,224	1,197	1,224	284	584	895	1,197
Equities	40,163	63,460	43,826	63,460	6,458	16,619	33,847	43,826
Domestic portfolio	14,672	28,679	3,622	28,679	33	1,799	2,557	3,622
Foreign portfolio	25,491	34,781	40,204	34,781	6,425	14,820	31,290	40,204
Repurchase agreements	1,378	345	-248	345	-32	-96	-165	-248
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial Intermediaries	3,405	1,205	1,605	1,205	388	329	895	1,605
Other transactions	13,459	3,673	5,500	3,673	-29	892	1,387	5,500
FINANCIAL INVEST INCOME								
Total	256,109	222,077	215,861	222,077	55,797	114,846	186,154	215,861
Money market assets and public debt	12,807	10,219	7,171	10,219	2,926	4,697	6,203	7,171
Other fixed-income securities	50,524	28,260	22,064	28,260	8,652	13,604	19,414	22,064
Domestic portfolio	39,179	20,891	7,456	20,891	3,418	5,918	8,229	7,456
Foreign portfolio	11,345	7,369	14,608	7,369	5,234	7,686	11,185	14,608
Equities	-22,294	736,575	69,117	736,575	153,642	126,481	18,570	69,117
Domestic portfolio	29,845	83,956	14,519	83,956	7,889	12,409	9,615	14,519
Foreign portfolio	-52,139	652,619	54,598	652,619	145,753	114,072	8,955	54,598
Derivatives	207,347	-565,800	109,668	-565,800	-111,864	-34,258	135,442	109,668
Other transactions	7,725	12,823	7,841	12,823	2,441	4,322	6,525	7,841
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	-130,689	-96,244	-134,104	-96,244	-25,985	-56,753	-117,152	-134,104
Net exchange differences	-149,034	-110,807	-142,545	-110,807	-27,423	-63,866	-127,967	-142,545
Other operating products and expenses	10,565	14,384	14,344	14,384	3,648	7,555	10,862	14,344
Other transactions	7,780	179	-5,903	179	-2,210	-442	-47	-5,903

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

Aggregated income statement. Brokers

TABLE 2.9

Thousand euro ¹	2013	2014	2015	2014	2015			
				IV	I	II	III	IV
I. Interest income	1,799	1,119	884	1,119	175	448	633	884
II. Net commission	110,422	120,634	113,904	120,634	31,049	57,929	83,955	113,904
Commission revenues	130,738	147,137	135,320	147,137	35,222	68,206	99,357	135,320
Brokering	40,196	41,745	322,857	41,745	9,993	17,922	25,069	322,857
Placement and underwriting	4,715	8,129	3,829	8,129	1,183	1,891	2,296	3,829
Securities deposit and recording	505	567	521	567	113	226	361	521
Portfolio management	16,267	15,062	10,711	15,062	2,246	4,640	7,362	10,711
Design and advising	5,894	7,576	7,636	7,576	2,507	4,319	5,262	7,636
Stocks search and placement	55	0	216	0	0	186	186	216
Market credit transactions	11	0	0	0	0	0	0	0
IICs ² marketing	35,823	46,565	53,169	46,565	12,883	26,577	39,519	53,169
Other	27,272	27,493	27,393	27,493	6,297	12,445	19,302	27,393
Commission expenses	20,316	26,503	21,416	26,503	4,173	10,277	15,402	21,416
III. Financial investment income	5	775	592	775	885	731	319	592
IV. Net exchange differences and other operating products and expenses	-1,633	1,102	1,197	1,102	445	1,633	1,236	1,197
V. Gross income	110,593	123,626	116,577	123,626	32,554	60,741	86,143	116,577
VI. Operating income	18,422	24,366	22,148	24,366	9,096	15,871	19,100	22,148
VII. Earnings from continuous activities	14,321	19,922	17,266	19,922	8,381	15,058	18,113	17,266
VIII. Net earnings of the period	14,321	19,922	17,266	19,922	8,381	15,058	18,113	17,266

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

2 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Aggregated income statement. Portfolio management companies

TABLE 2.10

Thousand euro ¹	2013	2014	2015	2014	2015			
				IV	I	II	III	IV
I. Interest income	667	574	399	574	134	226	325	399
II. Net commission	9,362	11,104	8,526	11,104	2,519	4,944	7,362	8,526
Commission revenues	18,603	15,411	13,064	15,411	3,766	7,594	10,982	13,064
Portfolio management	17,028	13,572	11,150	13,572	3,248	6,290	8,902	11,150
Design and advising	1,575	849	371	849	105	193	370	371
IICs ² marketing	0	0	0	0	0	0	0	0
Other	0	990	1,544	990	413	1,110	1,709	1,544
Commission expenses	9,241	4,307	4,538	4,307	1,247	2,650	3,620	4,538
III. Financial investment income	9	-6	-28	-6	31	15	-25	-28
IV. Net exchange differences and other operating products and expenses	-32	-237	-234	-237	35	-123	-270	-234
V. Gross income	10,006	11,435	8,663	11,435	2,719	5,062	7,392	8,663
VI. Operating income	3,554	5,860	3,331	5,860	1,223	2,219	3,213	3,331
VII. Earnings from continuous activities	2,472	4,135	2,335	4,135	890	1,574	2,254	2,335
VIII. Net earnings of the period	2,472	4,135	2,335	4,135	890	1,574	2,254	2,335

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

2 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Capital adequacy and capital ratio^{1,2}

TABLE 2.11

	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
TOTAL								
Total capital ratio ³	–	40.33	44.36	40.33	39.75	42.64	45.53	44.36
Own funds surplus (thousand euro)	1,033,669	1,061,974	1,109,837	1,061,974	1,088,868	1,146,047	1,158,626	1,109,837
Surplus (%) ⁴	322.58	404.13	454.50	404.13	396.92	433.02	469.13	454.50
Number of companies according to its surplus percentage								
≤100%	34	16	14	16	15	12	10	14
>100-≤300%	22	24	22	24	22	25	25	22
>300-≤500%	17	12	13	12	12	13	14	13
>500%	14	21	21	21	23	21	22	21
BROKER-DEALERS								
Total capital ratio ³	–	40.89	46.13	40.89	40.15	43.20	46.41	46.13
Own funds surplus (thousand euro)	960,624	987,211	1,055,636	987,211	1,008,633	1,061,408	1,077,568	1,055,636
Surplus (%) ⁴	367.43	411.10	476.59	411.10	401.89	440.01	480.09	476.59
Number of companies according to its surplus percentage								
≤100%	9	5	4	5	5	4	3	4
>100-≤300%	11	14	12	14	12	11	11	12
>300-≤500%	13	6	8	6	7	9	9	8
>500%	8	14	14	14	14	14	15	14
BROKERS								
Total capital ratio ³	–	24.34	25.58	24.34	24.58	26.65	26.06	25.58
Own funds surplus (thousand euro)	62,199	42,132	48,197	42,132	44,473	50,698	47,091	48,197
Surplus (%) ⁴	164.46	204.19	219.78	204.19	207.29	233.09	225.71	219.78
Number of companies according to its surplus percentage								
≤100%	22	11	10	11	10	8	7	10
>100-≤300%	10	8	9	8	8	12	12	9
>300-≤500%	3	6	5	6	5	4	5	5
>500%	6	4	6	4	6	5	5	6
PORTFOLIO MANAGEMENT COMPANIES								
Total capital ratio ³	–	137.98	71.26	137.98	158.32	168.49	171.65	71.26
Own funds surplus (thousand euro)	10,846	32,631	6,004	32,631	35,762	33,941	33,967	6,004
Surplus (%) ⁴	51.21	1,624.71	791.04	1,624.71	1,879.04	2,005.97	2,045.58	791.04
Number of companies according to its surplus percentage								
≤100%	3	0	0	0	0	0	0	0
>100-≤300%	1	2	1	2	2	2	2	1
>300-≤500%	1	0	0	0	0	0	0	0
>500%	0	3	1	3	3	2	2	1

1 On January 1st 2014 entered into force the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, which has changed the own funds requirements calculation.

2 Since January 2014 only the entities subject to reporting requirements are included, according to Circular 2/2014, of 23rd June, of the Comisión Nacional del Mercado de Valores, on the exercise of various regulatory options regarding solvency requirements for investment firms and their consolidated groups.

3 Total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount. This ratio should not be under 8%.

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

Return on equity (ROE) before taxes¹

TABLE 2.12

	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
TOTAL								
Average (%) ²	16.49	22.83	15.34	22.83	18.99	18.02	16.20	15.34
Number of companies according to its annualized return								
Losses	13	11	21	11	12	12	19	21
0-≤15%	37	30	23	30	22	23	24	23
>15-≤45%	22	23	22	23	28	26	21	22
>45-≤75%	9	11	5	11	7	6	5	5
>75%	6	8	9	8	11	12	12	9
BROKER-DEALERS								
Average (%) ²	16.39	23.04	14.85	23.04	17.84	17.03	15.50	14.85
Number of companies according to its annualized return								
Losses	5	4	9	4	6	7	7	9
0-≤15%	15	18	14	18	14	13	13	14
>15-≤45%	16	11	10	11	12	13	13	10
>45-≤75%	4	5	4	5	3	1	1	4
>75%	1	2	2	2	3	4	4	2
BROKERS								
Average (%) ²	19.34	22.18	21.52	22.18	37.62	34.48	27.87	21.52
Number of companies according to its annualized return								
Losses	8	7	12	7	6	5	11	12
0-≤15%	18	11	8	11	7	8	9	8
>15-≤45%	5	8	11	8	13	11	8	11
>45-≤75%	5	6	1	6	3	5	3	1
>75%	5	6	7	6	8	8	8	7
PORTFOLIO MANAGEMENT COMPANIES								
Average (%) ²	11.41	16.95	24.49	16.95	12.59	11.93	11.67	24.49
Number of companies according to its annualized return								
Losses	0	0	0	0	0	0	1	0
0-≤15%	4	1	1	1	1	2	2	1
>15-≤45%	1	4	1	4	3	2	0	1
>45-≤75%	0	0	0	0	1	0	1	0
>75%	0	0	0	0	0	0	0	0

1 ROE has been calculated as:

$$ROE = \frac{\text{Earnings_before_taxes_ (annualized)}}{\text{Own_Funds}}$$

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

2 Average weighted by equity. %.

Financial advisory firms. Main figures

TABLE 2.13

Thousand euro	2013	2014	2015	2013	2014	2015		
				II	I	II	I	
ASSETS ADVISED¹								
Total	17,630,081	21,391,510	n.a.	17,630,081	14,456,415	21,391,510	n.a.	
Retail clients	4,991,653	5,719,292	n.a.	4,991,653	5,488,399	5,719,292	n.a.	
Professional	3,947,782	4,828,459	n.a.	3,947,782	4,465,564	4,828,459	n.a.	
Other	8,690,646	10,843,759	n.a.	8,690,646	4,502,452	10,843,759	n.a.	
COMMISSION INCOME²								
Total	33,272	47,767	55,536	33,272	21,513	47,767	55,536	
Commission revenues	33,066	47,188	54,595	33,066	21,071	47,188	54,595	
Other income	206	579	941	206	442	579	941	
EQUITY								
Total	21,498	26,538	24,675	21,498	22,915	26,538	24,675	
Share capital	5,156	5,576	5,878	5,156	5,230	5,576	5,878	
Reserves and retained earnings	9,453	8,993	7,434	9,453	9,899	8,993	7,434	
Income for the year ²	6,890	11,969	11,292	6,890	7,787	11,969	11,292	

1 Data at the end of each period. Half-yearly until December 2014, annually since 2015 (Circular 3/2014, of 22nd October, of the Comisión Nacional del Mercado de Valores).

2 Accumulated data from the beginning of the year to the last day of every semester.

3 Collective investment schemes (IICs)^a

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

TABLE 3.1

	2013	2014	2015	2015				2016
				I	II	III	IV	I ¹
Total financial IICs	5,129	5,232	5,180	5,244	5,218	5,197	5,180	5,168
Mutual funds	2,043	1,949	1,760	1,923	1,857	1,805	1,760	1,756
Investment companies	3,035	3,228	3,372	3,266	3,308	3,340	3,372	3,364
Funds of hedge funds	22	18	11	18	15	14	11	11
Hedge funds	29	37	37	37	38	38	37	37
Total real estate IICs	16	11	9	10	9	9	9	9
Real estate mutual funds	6	4	3	3	3	3	3	3
Real estate investment companies	10	7	6	7	6	6	6	6
Total foreign IICs marketed in Spain	782	805	880	836	851	859	880	890
Foreign funds marketed in Spain	409	405	425	414	417	421	425	425
Foreign companies marketed in Spain	373	400	455	422	434	438	455	465
Management companies	96	96	96	97	97	98	96	97
IIC depositories	77	70	65	68	67	67	65	62

1 Available data: January 2016.

Number of IICs investors and shareholders¹

TABLE 3.2

	2013	2014	2015	2014	2015			
				IV	I	II	III	IV ²
Total financial IICs	5,463,820	6,859,555	8,164,054	6,859,555	7,495,987	7,859,163	7,971,499	8,164,054
Mutual funds	5,050,556	6,409,344	7,680,124	6,409,344	7,039,404	7,395,550	7,502,559	7,680,124
Investment companies	413,264	450,211	483,930	450,211	456,583	463,613	468,940	483,930
Total real estate IICs	6,773	4,866	4,501	4,866	4,739	4,592	4,495	4,501
Real estate mutual funds	5,750	4,021	3,918	4,021	3,897	3,909	3,912	3,918
Real estate investment companies	1,023	845	583	845	842	683	583	583
Total foreign IICs marketed in Spain ³	1,067,708	1,317,674	1,643,776	1,317,674	1,328,282	1,413,140	1,520,804	1,643,776
Foreign funds marketed in Spain	204,067	230,104	298,733	230,104	260,013	267,824	279,236	298,733
Foreign companies marketed in Spain	863,641	1,087,570	1,345,043	1,087,570	1,068,269	1,145,316	1,241,568	1,345,043

1 Investors and shareholders who invest in many sub-funds from the same IIC have been taking into account once. For this reason, the number of investors and shareholders can be different from those in tables 3.6 and 3.7.

2 Provisional data for foreign IICs.

3 Exchange traded funds (ETFs) data is not included.

IICs total net assets

TABLE 3.3

Million euro	2013	2014	2015	2014	2015			
				IV	I	II	III	IV ¹
Total financial IICs	184,300.9	230,205.7	255,677.0	230,205.7	253,792.1	256,455.1	251,566.9	255,677.0
Mutual funds ²	156,680.1	198,718.8	222,144.6	198,718.8	219,110.5	222,058.0	218,773.8	222,144.6
Investment companies	27,620.8	31,486.9	33,532.4	31,486.9	34,681.6	34,397.1	32,793.1	33,532.4
Total real estate IICs	4,536.2	1,226.3	1,093.1	1,226.3	1,227.3	1,106.9	1,140.9	1,093.1
Real estate mutual funds	3,682.6	419.8	391.0	419.8	417.9	419.5	420.3	391.0
Real estate investment companies	853.7	806.5	702.1	806.5	809.4	687.3	720.5	702.1
Total foreign IICs marketed in Spain ³	54,727.2	78,904.3	108,091.6	78,904.3	95,322.6	100,881	85,462.1	108,091.6
Foreign funds marketed in Spain	8,523.2	11,166.0	15,305.1	11,166.0	13,187.9	13,917	12,225.2	15,305.1
Foreign companies marketed in Spain	46,204.0	67,738.3	92,786.5	67,738.3	82,134.7	86,965	73,236.9	92,786.5

1 Provisional data for foreign IICs.

2 For December 2015, mutual funds investment in financial IICs reached 5.2 billion euro.

3 Exchange traded funds (ETFs) data is not included.

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

Mutual funds asset allocation¹

TABLE 3.4

Million euro	2013	2014	2015	2014		2015		
				IV	I	II	III	IV ²
Asset	156,680.1	198,718.8	222,144.6	198,718.8	219,110.5	222,058.0	218,773.8	222,144.6
Portfolio investment	149,343.3	187,693.9	204,797.4	187,693.9	203,840.3	204,654.1	200,475.4	204,797.4
Domestic securities	108,312.7	114,644.5	93,870.3	114,644.5	112,393.7	101,724.4	96,089.1	93,870.3
Debt securities	79,480.4	79,694.4	58,488.4	79,694.4	75,800.1	64,583.0	59,171.7	58,488.4
Shares	5,367.4	8,448.0	8,757.1	8,448.0	9,716.7	9,525.6	8,560.3	8,757.1
Investment collective schemes	4,498.1	6,065.3	5,698.5	6,065.3	6,512.8	7,069.5	7,382.1	5,698.5
Deposits in Credit institutions	18,443.7	19,927.4	20,482.9	19,927.4	19,578.8	19,918.9	20,590.5	20,482.9
Derivatives	523.0	495.4	433.7	495.4	773.5	617.4	374.1	433.7
Other	0.0	14.0	9.7	14.0	11.7	10.0	10.5	9.7
Foreign securities	41,029.5	73,048.3	110,920.3	73,048.3	91,445.0	102,928.1	104,384.4	110,920.3
Debt securities	20,312.8	38,582.2	48,505.7	38,582.2	45,230.0	46,368.7	47,112.2	48,505.7
Shares	11,034.2	13,042.9	18,654.5	13,042.9	16,424.7	17,038.7	17,057.5	18,654.5
Investment collective schemes	9,286.0	20,863.9	43,365.7	20,863.9	28,679.6	38,557.6	39,628.6	43,365.7
Deposits in Credit institutions	45.6	243.3	104.1	243.3	177.1	158.7	141.3	104.1
Derivatives	350.9	310.6	285.6	310.6	927.8	799.0	439.3	285.6
Other	0.0	5.4	4.8	5.4	5.8	5.5	5.4	4.8
Doubtful assets and matured investment	1.2	1.2	6.8	1.2	1.6	1.6	1.9	6.8
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	7,062.3	10,895.0	16,594.5	10,895.0	15,628.2	16,630.4	17,474.3	16,594.5
Net balance (Debtors - Creditors)	274.4	129.9	752.7	129.9	-358.0	773.5	824.2	752.7

1 Hedge funds and funds of hedge funds are not included in these figures due to the entry into force, on 31 December 2008, of Circular CR CNMV 3/2008 which establishes a different deadline in reporting accounting information to CNMV.

2 Provisional data.

Investment companies asset allocation

TABLE 3.5

Million euro	2013	2014	2015	2014		2015		
				IV	I	II	III	IV ¹
Asset	27,620.8	31,486.9	33,532.4	31,486.9	34,681.6	34,397.1	32,793.1	33,532.4
Portfolio investment	26,105.6	29,080.6	30,040.4	29,080.6	31,634.5	30,742.8	28,923.1	30,040.4
Domestic securities	12,118.9	11,063.7	9,426.6	11,063.7	11,262.7	10,244.7	9,545.9	9,426.6
Debt securities	6,304.3	5,115.9	3,665.0	5,115.9	4,793.3	3,934.6	3,804.6	3,665.0
Shares	3,005.5	3,324.4	3,090.7	3,324.4	3,606.8	3,461.4	3,161.8	3,090.7
Investment collective schemes	1,134.9	1,433.0	1,418.4	1,433.0	1,645.1	1,623.3	1,464.0	1,418.4
Deposits in Credit institutions	1,645.4	1,169.3	1,226.3	1,169.3	1,189.9	1,199.2	1,096.2	1,226.3
Derivatives	1.4	-10.8	-7.4	-10.8	-7.2	-7.9	-14.0	-7.4
Other	27.4	31.9	33.7	31.9	34.7	34.2	33.3	33.7
Foreign securities	13,985.1	18,015.2	20,611.2	18,015.2	20,370.2	20,496.4	19,375.1	20,611.2
Debt securities	2,613.7	3,897.1	4,474.4	3,897.1	4,481.9	4,421.7	4,381.2	4,474.4
Shares	5,085.5	6,227.7	7,026.6	6,227.7	6,830.3	6,826.7	6,414.7	7,026.6
Investment collective schemes	6,119.8	7,784.2	9,090.2	7,784.2	8,979.4	9,198.1	8,562.4	9,090.2
Deposits in Credit institutions	5.5	2.3	6.2	2.3	3.5	12.3	10.3	6.2
Derivatives	152.5	94.4	8.3	94.4	67.0	29.8	0.1	8.3
Other	8.1	9.5	5.5	9.5	8.1	7.8	6.4	5.5
Doubtful assets and matured investment	1.5	1.7	2.7	1.7	1.5	1.7	2.1	2.7
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net fixed assets	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Cash	1,302.0	2,197.7	3,211.3	2,197.7	2,836.5	3,435.2	3,462.6	3,211.3
Net balance (Debtors - Creditors)	213.1	208.5	280.6	208.5	210.5	219.0	407.3	280.6

1 Provisional data.

Financial mutual funds: Number, investors and total net assets by category^{1,2}

TABLE 3.6

	2013	2014	2015	2014		2015		
				IV	I	II	III	IV
NO. OF FUNDS								
Total financial mutual funds	2,045	1,951	1,804	1,951	1,936	1,862	1,846	1,804
Fixed-income ³	384	359	319	359	358	359	350	319
Mixed fixed-income ⁴	122	123	132	123	122	126	128	132
Mixed equity ⁵	128	131	142	131	132	132	134	142
Euro equity	108	103	109	103	110	109	108	109
Foreign equity	193	191	200	191	193	196	195	200
Guaranteed fixed-income	374	280	186	280	261	226	202	186
Guaranteed equity ⁶	308	273	205	273	263	225	215	205
Global funds	162	162	178	162	168	172	176	178
Passive management	169	227	213	227	233	221	218	213
Absolute return	97	102	97	102	96	96	97	97
INVESTORS								
Total financial mutual funds	5,050,719	6,409,806	7,682,947	6,409,806	7,050,828	7,396,161	7,505,825	7,682,947
Fixed-income ³	1,508,009	1,941,567	2,203,847	1,941,567	2,092,925	2,113,775	2,135,489	2,203,847
Mixed fixed-income ⁴	240,676	603,099	1,130,190	603,099	813,223	1,047,453	1,093,235	1,130,190
Mixed equity ⁵	182,223	377,265	612,276	377,265	465,249	559,016	588,211	612,276
Euro equity	293,193	381,822	422,469	381,822	410,761	423,996	410,777	422,469
Foreign equity	457,606	705,055	1,041,517	705,055	843,867	955,135	988,191	1,041,517
Guaranteed fixed-income	1,002,458	669,448	423,409	669,448	610,911	498,140	453,383	423,409
Guaranteed equity ⁶	608,051	557,030	417,843	557,030	508,952	438,262	419,718	417,843
Global funds	128,741	223,670	381,590	223,670	305,397	371,784	396,176	381,590
Passive management	441,705	686,526	554,698	686,526	667,088	584,270	574,816	554,698
Absolute return	188,057	264,324	479,182	264,324	332,455	404,330	429,512	479,182
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	156,680.1	198,718.8	222,144.6	198,718.8	219,110.5	222,058.0	218,773.8	222,144.6
Fixed-income ³	55,058.9	70,330.9	65,583.8	70,330.9	72,059.6	67,600.0	66,979.3	65,583.8
Mixed fixed-income ⁴	8,138.0	24,314.3	44,791.8	24,314.3	34,217.4	42,820.0	43,536.3	44,791.8
Mixed equity ⁵	6,312.4	13,570.4	21,502.9	13,570.4	17,038.9	20,056.7	20,138.7	21,502.9
Euro equity	8,632.8	8,401.5	9,092.9	8,401.5	9,621.1	9,377.7	8,535.9	9,092.9
Foreign equity	8,849.0	12,266.4	17,143.2	12,266.4	15,479.0	16,320.9	15,545.7	17,143.2
Guaranteed fixed-income	31,481.2	20,417.0	12,375.6	20,417.0	18,271.9	14,702.3	13,437.4	12,375.6
Guaranteed equity ⁶	12,503.8	12,196.4	9,966.6	12,196.4	11,751.0	9,996.9	9,567.6	9,966.6
Global funds	4,528.1	6,886.3	12,683.3	6,886.3	9,685.5	11,587.0	11,743.2	12,683.3
Passive management	16,515.9	23,837.5	17,731.1	23,837.5	22,688.0	19,608.4	18,636.8	17,731.1
Absolute return	4,659.9	6,498.1	11,228.1	6,498.1	8,298.0	9,988.1	10,595.6	11,228.1

1 Sub-funds which have sent reports to the CNMV excluding those in process of dissolution or liquidation.

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

3 Fixed income euro. Foreign fixed-income. Monetary market funds and Short-term monetary market funds.

4 Mixed euro fixed-income and Foreign mixed fixed-income.

5 Mixed euro equity and Foreign mixed equity.

6 Guaranteed equity and partial guarantee.

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

TABLE 3.7

	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
INVESTORS								
Total financial mutual funds	5,050,719	6,409,806	7,682,947	6,409,806	7,050,828	7,396,161	7,505,825	7,682,947
Individuals	4,906,380	6,235,148	7,494,162	6,235,148	6,865,393	7,206,805	7,317,375	7,494,162
Residents	4,848,184	6,170,201	7,422,330	6,170,201	6,797,383	7,136,999	7,246,672	7,422,330
Non-residents	58,196	64,947	71,832	64,947	68,010	69,806	70,703	71,832
Legal entities	144,339	174,658	188,785	174,658	185,435	189,356	188,450	188,785
Credit Institutions	521	493	532	493	525	615	606	532
Other resident Institutions	143,083	173,351	187,395	173,351	184,104	187,916	187,003	187,395
Non-resident Institutions	735	814	858	814	806	825	841	858
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	156,680.1	198,718.8	222,144.6	198,718.8	219,110.5	222,058.0	218,773.8	222,144.6
Individuals	125,957.2	159,423.5	181,868.0	159,423.5	176,300.1	179,160.5	177,186.3	181,868.0
Residents	124,175.3	157,135.2	179,232.4	157,135.2	173,789.0	176,579.9	174,631.0	179,232.4
Non-residents	1,781.9	2,288.3	2,635.6	2,288.3	2,511.1	2,580.6	2,555.3	2,635.6
Legal entities	30,722.9	39,295.4	40,276.6	39,295.4	42,810.4	42,897.5	41,587.6	40,276.6
Credit Institutions	547.6	459.8	483.0	459.8	528.7	524.2	492.5	483.0
Other resident Institutions	29,743.3	38,245.2	39,071.0	38,245.2	41,577.4	41,739.8	40,378.2	39,071.0
Non-resident Institutions	431.9	590.4	722.6	590.4	704.3	633.4	716.9	722.6

Subscriptions and redemptions of financial mutual funds by category^{1,2}

TABLE 3.8

Million euro	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
SUBSCRIPTIONS								
Total financial mutual funds	91,115.7	136,161.2	159,036.2	36,813.3	48,382.7	47,749.4	29,322.7	33,581.4
Fixed-income	50,154.7	65,698.5	66,789.7	19,129.1	19,411.7	17,262.1	12,821.2	17,294.7
Mixed fixed-income	4,569.8	21,675.7	36,441.2	6,775.7	12,631.5	13,267.9	5,307.6	5,234.2
Mixed equity	3,021.8	8,991.2	13,771.0	2,545.1	4,174.2	4,940.3	2,434.2	2,222.3
Euro equity	4,082.8	6,702.0	6,719.9	1,578.5	1,653.5	2,125.5	1,639.6	1,301.3
Foreign equity	3,697.4	5,843.2	11,236.2	1,768.3	3,177.2	3,274.7	2,274.9	2,509.4
Guaranteed fixed-income	5,964.0	847.8	562.4	294.2	207.8	41.7	251.4	61.5
Guaranteed equity	1,937.5	3,684.6	1,993.2	879.5	174.8	281.9	428.3	1,108.2
Global funds	2,175.2	3,752.9	9,636.1	1,210.5	3,355.6	3,008.5	1,635.8	1,636.2
Passive management	13,627.5	15,081.3	3,350.5	1,516.9	1,118.2	530.3	894.4	807.6
Absolute return	1,885.0	3,884.4	8,363.0	1,115.7	2,478.2	3,016.5	1,462.2	1,406.1
REDEMPTIONS								
Total financial mutual funds	66,982.7	100,188.5	135,569.6	30,504.8	34,975.3	40,183.3	27,182.6	33,228.4
Fixed-income	36,371.6	52,205.8	72,141.1	15,905.3	18,334.6	21,188.9	13,745.3	18,872.3
Mixed fixed-income	2,510.5	5,963.7	15,273.7	2,392.6	3,630.1	3,932.0	3,443.5	4,268.1
Mixed equity	1,139.9	2,423.5	5,617.2	975.0	1,507.4	1,392.1	1,245.9	1,471.8
Euro equity	2,352.5	4,517.1	6,251.0	1,592.1	1,750.8	1,893.6	1,526.9	1,079.7
Foreign equity	2,797.2	5,311.4	7,175.7	1,890.2	1,736.9	2,005.2	1,544.0	1,889.6
Guaranteed fixed-income	10,433.2	11,301.4	7,369.8	2,614.2	2,035.2	2,971.4	1,478.7	884.5
Guaranteed equity	4,007.7	4,594.1	4,593.0	1,155.9	1,096.4	1,708.4	780.3	1,007.9
Global funds	1,327.8	1,570.6	3,830.8	553.0	1,002.8	863.3	979.7	985.0
Passive management	4,089.3	10,110.4	9,614.7	2,644.4	3,040.3	3,046.3	1,589.9	1,938.2
Absolute return	1,952.8	2,190.5	3,551.6	782.3	840.8	1,182.1	709.7	819.0

1 Estimated data.

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

**Financial mutual funds asset change by category:
Net subscriptions/redemptions and return on assets¹**

TABLE 3.9

Million euro	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	24,086.2	35,794.5	22,763.6	6,279.3	12,863.8	7,536.9	2,128.4	234.5
Fixed-income	13,405.0	13,821.0	-4,816.1	3,287.8	1,021.4	-3,551.5	-629.0	-1,657.0
Mixed fixed-income	2,369.7	15,689.2	20,903.0	4,349.2	9,002.9	9,509.7	1,552.8	837.6
Mixed equity	2,673.3	6,842.3	8,227.3	1,834.0	2,666.8	3,533.3	1,150.2	877.0
Euro equity	1,733.5	-338.3	467.2	-14.2	-96.1	229.2	112.5	221.6
Foreign equity	865.9	2,715.6	4,110.2	-131.7	1,440.3	1,317.1	733.0	619.8
Guaranteed fixed-income	-6,717.5	-11,761.5	-8,093.5	-2,675.0	-2,243.4	-3,467.1	-1,309.5	-1,073.5
Guaranteed equity	-2,689.1	-651.7	-2,396.4	-236.9	-936.0	-1,462.9	-287.5	290.0
Global funds	-176.7	2,110.3	5,787.9	591.4	2,308.8	2,111.3	692.8	675.0
Passive management	12,675.2	5,632.0	-6,274.9	-1,129.4	-1,932.5	-2,516.0	-695.7	-1,130.7
Absolute return	-53.2	1,735.6	4,802.6	404.1	1,631.6	1,833.8	750.2	587.0
RETURN ON ASSETS								
Total financial mutual funds	8,566.5	6,260.3	680.1	240.0	7,535.3	-4,589.2	-5,402.5	3,136.5
Fixed-income	990.0	1,451.7	69.3	201.9	707.5	-908.0	8.3	261.5
Mixed fixed-income	267.6	487.2	-425.2	48.1	900.2	-906.9	-836.6	418.1
Mixed equity	459.3	415.5	-294.8	67.5	801.8	-515.6	-1,068.3	487.3
Euro equity	1,629.1	107.0	224.2	-277.9	1,315.7	-472.6	-954.3	335.4
Foreign equity	1,368.1	701.7	766.6	246.1	1,772.2	-475.2	-1,508.2	977.8
Guaranteed fixed-income	1,754.3	697.3	52.1	-30.2	98.3	-102.5	44.6	11.7
Guaranteed equity	779.8	344.5	166.6	-63.9	490.6	-291.2	-141.8	109.0
Global funds	346.2	248.0	9.3	39.4	490.5	-209.7	-536.7	265.2
Passive management	861.0	1,704.8	185.5	-4.6	790.1	-563.7	-265.9	225.0
Absolute return	111.1	102.7	-72.7	13.6	168.3	-143.8	-142.6	45.4

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

Financial mutual funds return on assets. Detail by category¹

TABLE 3.10

% of daily average total net assets	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
MANAGEMENT YIELDS								
Total financial mutual funds	7.37	4.84	1.54	0.39	3.94	-1.81	-2.18	1.71
Fixed-income	2.96	3.20	0.85	0.49	1.19	-1.11	0.19	0.59
Mixed fixed-income	5.20	5.16	1.06	0.53	3.49	-1.98	-1.61	1.25
Mixed equity	11.84	6.46	0.83	0.90	5.78	-2.41	-4.85	2.65
Euro equity	28.36	4.00	3.52	-2.86	15.38	-4.44	-9.84	4.14
Foreign equity	21.47	8.38	7.25	2.59	13.47	-2.46	-8.81	6.26
Guaranteed fixed-income	5.80	3.52	1.20	0.09	0.75	-0.43	0.56	0.32
Guaranteed equity	7.34	4.08	2.01	-0.22	4.47	-2.54	-1.19	1.40
Global funds	9.86	6.07	2.73	0.93	6.57	-1.68	-4.28	2.43
Passive management	9.84	8.80	1.17	0.16	3.61	-2.52	-1.22	1.41
Absolute return	3.61	3.11	0.85	0.50	2.66	-1.33	-1.13	0.70
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.98	0.98	1.00	0.25	0.26	0.24	0.24	0.26
Fixed-income	0.68	0.70	0.65	0.18	0.17	0.16	0.16	0.16
Mixed fixed-income	1.13	1.19	1.17	0.29	0.30	0.28	0.29	0.29
Mixed equity	1.51	1.42	1.44	0.35	0.41	0.33	0.33	0.36
Euro equity	1.85	1.80	1.78	0.43	0.51	0.42	0.39	0.45
Foreign equity	1.83	1.78	1.72	0.45	0.50	0.40	0.38	0.43
Guaranteed fixed-income	0.86	0.88	0.84	0.22	0.21	0.21	0.21	0.21
Guaranteed equity	1.25	1.20	1.04	0.29	0.27	0.27	0.26	0.24
Global funds	1.32	1.20	1.10	0.29	0.39	0.23	0.21	0.27
Passive management	0.72	0.64	0.65	0.16	0.17	0.16	0.16	0.16
Absolute return	1.13	1.07	1.00	0.27	0.29	0.23	0.23	0.25
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Fixed-income	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Mixed fixed-income	0.08	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Mixed equity	0.12	0.10	0.12	0.03	0.03	0.03	0.03	0.03
Euro equity	0.09	0.12	0.12	0.03	0.03	0.03	0.03	0.03
Foreign equity	0.12	0.11	0.12	0.03	0.03	0.03	0.03	0.03
Guaranteed fixed-income	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Guaranteed equity	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Global funds	0.08	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Passive management	0.08	0.07	0.08	0.02	0.02	0.02	0.02	0.02
Absolute return	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02

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

Mutual funds quarterly returns. Detail by category¹

TABLE 3.11

In %	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
Total financial mutual funds	6.50	3.67	0.89	0.08	3.85	-1.98	-2.36	1.51
Fixed-income	2.28	2.41	0.10	0.28	0.99	-1.24	-0.02	0.38
Mixed fixed-income	4.16	3.67	0.16	0.01	3.27	-2.14	-1.84	0.97
Mixed equity	10.85	4.70	0.15	0.28	5.56	-2.53	-4.97	2.43
Euro equity	28.06	2.09	3.44	-3.38	15.94	-4.81	-9.98	4.12
Foreign equity	20.30	6.61	7.84	2.27	14.27	-2.75	-8.71	6.30
Guaranteed fixed-income	4.96	2.54	0.27	-0.14	0.51	-0.65	0.32	0.09
Guaranteed equity	6.15	2.64	1.07	-0.60	4.27	-2.76	-1.48	1.18
Global funds	8.71	4.63	2.45	0.54	6.64	-1.82	-4.38	2.33
Passive management	8.88	7.74	0.53	-0.02	3.53	-2.68	-1.44	1.23
Absolute return	2.46	1.98	0.12	0.22	2.50	-1.47	-1.31	0.45

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

Hedge funds and funds of hedge funds

TABLE 3.12

	2012	2013	2014	2014	2015	II	III	IV ¹
				IV	I			
HEDGE FUNDS								
Investors/shareholders	2,415	2,819	2,819	2,819	3,024	3,120	3,121	3,108
Total net assets (million euro)	1,036.70	1,369.50	1,369.5	1,369.50	1,585.20	1,704.1	1,708.4	1,766.5
Subscriptions (million euro)	401.7	574.6	574.6	118.6	144.5	249.8	151.1	6.7
Redemptions (million euro)	414.3	293.8	293.8	101.6	61.9	85.2	54.9	20.8
Net subscriptions/redemptions (million euro)	-12.6	280.8	280.8	17	82.6	164.6	96.2	-14.0
Return on assets (million euro)	130	52	52.0	-0.5	133.1	-45.8	-91.9	72.1
Returns (%)	16.48	5.3	5.30	0.07	9.71	-2.49	-5.56	4.77
Management yields (%) ²	17.22	7.39	7.39	0.57	10.14	-2.58	-5.05	4.55
Management fee (%) ²	2.87	2.21	2.21	0.4	1.2	0.30	0.21	0.41
Financial expenses (%) ²	0.04	0.32	0.32	0.17	0.17	0.13	0.11	0.03
FUNDS OF HEDGE FUNDS								
Investors/shareholders	3,022	2,734	2,734	2,734	2,735	1,363	1,365	1,363
Total net assets (million euro)	350.3	345.4	345.4	345.4	367	345.6	338.0	332.0
Subscriptions (million euro)	4.9	7.1	7.1	0.1	0.8	3.3	0.4	-
Redemptions (million euro)	215.2	40.8	40.8	28.4	12	12.8	1.0	-
Net subscriptions/redemptions (million euro)	-210.3	-33.7	-33.7	-28.3	-11.2	-9.5	-0.6	-
Return on assets (million euro)	20.6	28.9	28.9	6.2	32.8	-12.0	-7.0	-
Returns (%)	4.39	8.48	8.48	1.76	9.63	-3.29	-1.9	1.16
Management yields (%) ³	5.78	9.72	9.72	2.03	9.5	-3.17	-1.86	-
Management fee (%) ³	1.28	1.07	1.07	0.25	0.28	0.22	0.21	-
Depository fee (%) ³	0.08	0.08	0.08	0.02	0.02	0.02	0.02	-

1 Available data: October 2015. Return refers to the period September-October.

2 % of monthly average total net assets.

3 % of daily average total net assets.

Management companies. Number of portfolios and assets under management¹

TABLE 3.13

	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
NUMBER OF PORTFOLIOS²								
Mutual funds	2,043	1,949	1,760	1,949	1,923	1,857	1,805	1,760
Investment companies	2,975	3,164	3,333	3,164	3,268	3,245	3,292	3,333
Funds of hedge funds	22	18	11	18	18	15	14	11
Hedge funds	29	35	37	35	35	36	37	37
Real estate mutual funds	6	4	3	4	3	3	3	3
Real estate investment companies	10	7	6	7	7	6	6	6
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	156,680.1	198,718.8	222,144.6	198,718.8	219,110.5	222,058.0	218,773.8	222,144.6
Investment companies	26,830.1	30,613.8	32,879.4	30,613.8	33,702.3	33,432.2	32,003.7	32,879.4
Funds of hedge funds ³	350.3	345.4	332.0	345.4	367.0	359.0	338.0	332.0
Hedge funds ³	1,036.6	1,328.0	1,757.4	1,328.0	1,523.7	1,618.6	1,699.2	1,757.4
Real estate mutual funds	3,682.6	419.8	391.0	419.8	417.9	419.5	420.3	391.0
Real estate investment companies	853.7	806.5	702.1	806.5	809.4	687.3	720.5	702.1

1 It is considered as "assets under management" all the assets of the investment companies which are co-managed by management companies and other different companies.

2 Data source: Collective Investment Schemes Registers.

3 Available data for IV Quarter 2015: October 2015.

Foreign Collective Investment Schemes marketed in Spain¹

TABLE 3.14

	2013	2014	2015	2014	2015	II	III	IV ²
				IV	I			
INVESTMENT VOLUME³ (million euro)								
Total	54,727.2	78,904.3	108,091.6	78,904.3	95,322.6	100,881.2	85,462.1	108,091.6
Mutual funds	8,523.2	11,166.0	15,305.1	11,166.0	13,187.9	13,916.7	12,225.2	15,305.1
Investment companies	46,204.0	67,738.3	92,786.5	67,738.3	82,134.7	86,964.5	73,236.9	92,786.5
INVESTORS/SHAREHOLDERS								
Total	1,067,708	1,317,674	1,643,776	1,317,674	1,328,282	1,413,140	1,520,804	1,643,776
Mutual funds	204,067	230,104	298,733	230,104	260,013	267,824	279,236	298,733
Investment companies	863,641	1,087,570	1,345,043	1,087,570	1,068,269	1,145,316	1,241,568	1,345,043
NUMBER OF SCHEMES								
Total	782	805	880	805	836	851	859	880
Mutual funds	409	405	425	405	414	417	421	425
Investment companies	373	400	455	400	422	434	438	455
COUNTRY								
Luxembourg	321	333	362	333	338	344	351	362
France	272	264	282	264	278	282	280	282
Ireland	103	117	143	117	127	134	136	143
Germany	32	33	32	33	32	32	32	32
UK	22	26	31	26	29	27	29	31
The Netherlands	2	2	2	2	2	2	2	2
Austria	24	25	23	25	25	25	24	23
Belgium	4	4	4	4	4	4	4	4
Malta	1	0	0	0	0	0	0	0
Denmark	1	1	1	1	1	1	1	1

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

2 Provisional data.

3 Investment volume: participations or shares owned by the investors/shareholders at the end of the period valued at that moment.

Real estate investment schemes¹

TABLE 3.15

	2013	2014	2015	2014	2015	II	III	IV
				IV	I			
REAL ESTATE MUTUAL FUNDS								
Number	6	3	3	3	3	3	3	3
Investors	5,750	4,021	3,918	4,021	3,897	3,909	3,912	3,918
Asset (million euro)	3,682.6	419.8	391	419.8	417.9	419.5	420.3	391.0
Return on assets (%)	-11.28	-5.87	-6.66	-1.23	-0.26	0.39	0.19	-6.96
REAL ESTATE INVESTMENT COMPANIES								
Number	10	7	6	7	7	6	6	6
Shareholders	1,023	845	583	845	842	683	583	583
Asset (million euro)	853.7	806.5	702.1	806.5	809.4	687.3	720.5	702.1

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.

