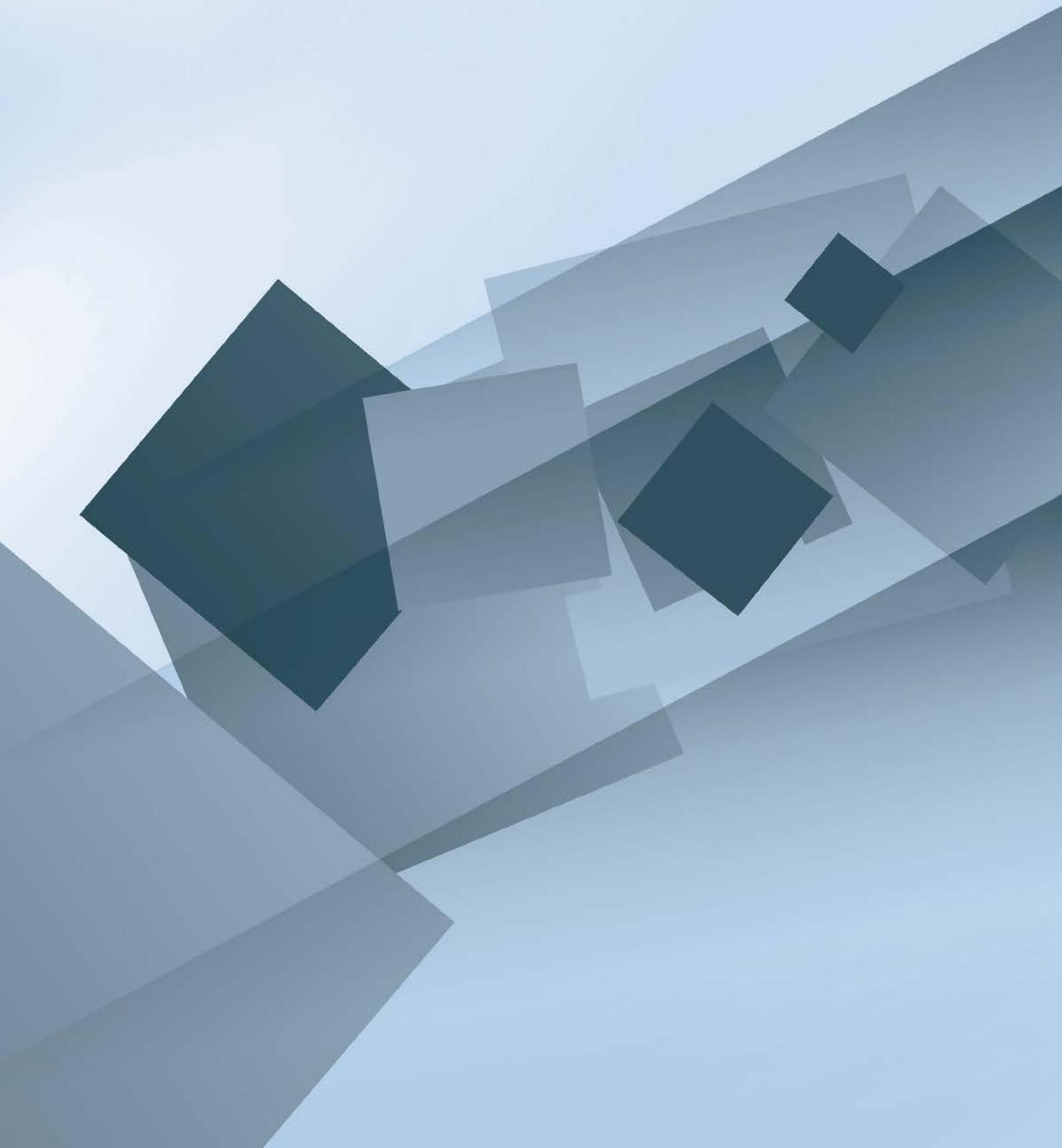




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Abbreviations

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)
EEA	European Economic Area
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 Reports and analysis

Post-trade regulation in secondary securities markets^{*}

Alberto J. Tapia Hermida^{**}

^{*} This article reprises my presentation to the CNMV on 3 April 2017, in which I summarised my study: Tapia Hermida, A.J. (2017). *La post-contratación en los mercados secundarios de valores: el sistema de compensación y liquidación de valores* [Post-trade activities in secondary securities markets: the clearing and settlement system]. Complutense University, Working paper for the Commercial Law Department, EPrints Complutense institutional archive No. 2017/107.

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1 Introduction

This report examines the regulation of post-trade activities in secondary securities markets. Post-trade is the second trading phase when the contracts agreed are executed by central clearing and settlement, resulting in the final transfer of the financial instruments and cash from seller to buyer and vice versa.

This phase of the trading process is mainly regulated at EU level by Regulations (EU) No. 648/2012 (the European Market Infrastructures Regulation or EMIR) and (EU) No. 909/2014, and in Spain by the recast text of the Securities Market Act (Spanish acronym: TRLMV) and Royal Decree 878/2015, of 2 October, on the clearing, settlement and registry of securities.

2 General post-trade regulation

2.1 Trading financial instruments: trading and post-trade.

Trading financial instruments on official secondary markets for securities and multilateral trading facilities (MTFs) involves two distinct phases: the trading phase, when seller and buyer come to an agreement, and the post-trade phase, when the agreement is executed by central clearing and settlement of the transaction, ending with the transfer of the financial instruments and cash from seller to buyer and vice versa.

Each of these two phases involves infrastructure bodies and intermediaries bound by their respective legal and regulatory frameworks, which set out their rights, duties and responsibilities. The first phase involves the management companies of official markets and MTFs and their respective trading members. The second post-trade phase involves various infrastructure bodies with their corresponding members or participants, starting with the central counterparties (CCPs) and their clearing members during the clearing stage followed by central securities depositories (CSDs) and their members in the settlement stage. These two post-trade infrastructures are charged to “safeguard financial markets and give market participants confidence that securities transactions are executed properly and in a timely manner, including during periods of extreme stress”.¹

1 As stated in Recital 1 of Regulation (EU) No. 909/2014.

2.2 Post-trade regulation in the EU and Spain: “disintegration” of the Spanish securities clearing and settlement system

2.2.1 The European Union

The main EU texts regulating the post-trade phase of secondary markets for financial instruments -with its two-stage clearing and settlement process run by CCPs and CSDs, respectively - are Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories (EMIR),² and Regulation (EU) No. 909/2014 of the European Parliament and of the Council, of 23 July 2014, on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (CSDR).³

These two sets of rules for post-trade infrastructure share three factors in common which are worth noting:

- First, they are both intended to increase competition in the sector. The 2014 Regulation explicitly states that it seeks to open up the internal market in securities settlement. Any investor in the EU should be able to invest in securities across the EU as easily and using the same procedures as in securities in their home market. For this to work means overcoming the fragmentation that obstructs cross-border settlement and imposes additional risks and costs on those attempting to trade cross-border. As a result it is essential to promote competition among CSDs - given their systemic importance - so that market participants can have a choice of providers and reduce their dependence on certain infrastructure providers.⁴

2 *Official Journal of the European Union* (27.07.2012). “EMIR: European Market Infrastructure Regulation”. In May 2017, the European Commission put forward proposals to modify the EMIR focusing on the obligations to clear OTC derivatives of financial and non-financial counterparties and pension funds, designed to enhance transparency at CCPs. See: European Commission (2017). “Questions and answers on the proposal to amend the European Market Infrastructure Regulation (EMIR)”.

3 *Official Journal of the European Union* (28.08.14). “CSDR: Central Securities Depositories Regulation”.

4 Regulation (EU) No. 909/2014, recital 4. See the joint report: CNMV and Bank of Spain (2007). *Securities clearing, settlement and registry systems in Europe. Current situation, ongoing initiatives, and recommendations*. CNMV, pp. 19 *et seq.* discussing “factors of competition and risk in post-trading”. In Spain, already in 2010, González Pueyo, J. (2010). *Proceso de consolidación de las infraestructuras de mercado* [Consolidation process of market infrastructures]. CNMV, Working Paper 39, p. 39: “Some of the post-trading aspects with the most potential for intervention by the regulators are: The reinforcement of the security system, given its implications on systemic risk. On the one hand, one entity’s problem with securities settlements can spread to other participants but, on the other, a registration system is needed which will guarantee the integrity of the ownership of the securities. The implementation of a homogeneous regulatory framework for post-trading, which fosters competition in processes where, from an economical efficiency point of view, this is possible at a reasonable cost. Plus, it must be guaranteed that the prices for accessing the post-trading services in vertically consolidated groups do not prevent competition in trading services”. He goes on to add: “Several authors have compared post-trade services to other network industries such as postal services, railways, airports and electricity. Lannoo and Levin (2001) saw parallels with the process of deregulating the telecoms industry begun in 1983 in the EU”.

On this point, it is interesting to note the European Commission's decision – announced on 29 March 2017 – to veto the merger of Europe's two leading stock market operators, Deutsche Börse AG (DBAG) and London Stock Exchange Group (LSEG), who between them own not only the securities markets of Germany, Italy and the United Kingdom but also several of Europe's biggest clearing houses. Both operators therefore have substantial market shares in post-trade services. LSEG has London Clearing House (LCH.Clearnet), including SwapClear, the Cassa di Compensazione e Garanzia (CC&G) and EUREX Clearing. The relevance to this study is that the Commission blocked the merger because it would have created a *de facto* monopoly in clearing fixed-income financial instruments (bonds and repos) and had a knock-on effect on the downstream markets for settlement, custody and collateral management. Remedies proposed by the parties did not go far enough to eliminate this *de facto* monopoly.⁵

- Second, both Regulations refer to the two types of post-trade infrastructure involved in the normal functioning of securities markets: CCPs and CSDs. Remember that the EU has published a number of consultations on the resolution of crises in non-bank financial intermediaries, such as the “Consultation on a possible framework for the restructuring and resolution of non-bank financial institutions”⁶ and legal initiatives such as the Proposed Regulation for restructuring and resolution of CCPs presented by the Commission on 28 November 2016, which will be dealt with below as part of the discussion of the legal framework of CCPs.
- Finally, as both post-trade processes – clearing and settlement of securities on official markets or MTFs – relate to sale/purchase agreements, they involve two objects of exchange: securities and cash. The difference between these two types of asset has had a decisive influence in community law when it comes to limiting certain powers to regulate, for instance, to the European Central Bank (ECB). The General Court of the European Union (GCEU) ruled on 4 March 2015 (case T-496/11, United Kingdom and others against the European Central Bank) that the ECB's regulatory powers over securities clearing and settlement systems included cash transfers arising from the clearing of trades but not transfers of securities arising from those same trades. As a consequence, given that regulation of CCPs affects the activity of securities clearing infrastructures, the ECB has no powers to demand that these bodies are resident in a euro area Member State. This struck down the supervisory framework for the Eurosystem published by the ECB in 5 July 2011, which included this residency requirement.⁷

5 See European Commission (2017). “Mergers: Commission blocks proposed merger between Deutsche Börse and London Stock Exchange”.

6 The document “Consultation on the possible framework for the recovery and resolution of non-bank financial institutions” mainly deals with insurers, CCPs and CSDs.

7 See my commentary: Tapia Hermida, A.J. (2015). “El Tribunal General de la Unión Europea delimita las competencias regulatorias del Banco Central Europeo sobre los sistemas de compensación de valores” [The European General Court limits regulatory powers of the European Central Bank over securities clearing systems] (Comment on the GCEU ruling of 4 March 2015, case T-496/11, United Kingdom and others against the European Central Bank). *La Ley Unión Europea* No. 27.

2.2.2 Spain

The post-trade phase on secondary securities markets, with its two-stage clearing and settlement process run by the CCPs and CSDs, is regulated in Spain by the Securities Market Act, which lays down two types of regulation:

- A substantive framework, in chapter VI of Title IV (“Official secondary securities markets”), covering “clearing, settlement and registry of securities and post-trade infrastructures” (articles 93-117). This part regulates two areas of post-trade activities: i) the two specific matters of clearing and settlement, and ii) the two common matters of access to post-trade infrastructures and the reporting system for supervision of trading, clearing, settlement and registry of securities.
- Chapter V of Title VIII sets out sanctions for infractions affecting the clearing, settlement and registry system, differentiating between gross and serious breaches of duties under the recast text of the Securities Market Act based on whether the obligations in the two EU Regulations directly and immediately or indirectly and subsequently incorporated into domestic regulation.

Regulatory implementation of the post-trade phase is covered by Title II (Articles 57-83) of Royal Decree 878/2015, of 2 October, on clearing, settlement and registry of securities. The Royal Decree will shortly be amended by Draft Royal Decree XX/2017 implementing reforms to the clearing, settlement and registry systems for fixed-income securities and adapting the market to TARGET2-Securities (T2S), following a consultation in March 2017 by the Ministry of the Economy, Industry and Competitiveness. The amendments will clarify implementation of Regulation 909/2014,⁸ taking account of the specific features of fixed-income securities, set a date for application of the reforms in the fixed-income market and allow more flexibility in certain areas of operations. It should be remembered that in September this year the Spanish securities settlement system will be integrated into the T2S settlement engine and the legal framework and operational systems need to be amended accordingly. On this last point, Law 41/1999, of 12 November, on securities payment and settlement systems was recently reformed by Royal Decree-Law 9/2017, of 26 May, to bring it into line with T2S and EMIR.

Regulation of the post-trade phase under EU rules has resulted in a kind of “disintegration” of the Spanish clearing and settlement system. It has migrated from the old system, when securities trading on stock markets – including trading, clearing and settlement phases – was functionally and structurally integrated within the “silo” structure, to the new system, where trading is functionally and structurally no longer integrated in the sense that trading, clearing and settlement are handled by different bodies or infrastructures.

8 The consultation document identified two “problems that the new regulation was intended to solve”: “First, it is essential to adjust the legal framework for clearing, settlement and registry of securities in Spain to the specific features of fixed-income securities so that Iberclear, the Spanish central securities depository, can amend and update its internal procedures (Iberclear Regulation and the associated circulars and instructions). Second, to dispel doubts raised by questions on the use of different types of account, it must make it clear that financial policy on this matter seeks to ensure the greatest possible flexibility and assimilation to the broadest standards applied in neighbouring countries”.

2.3 Regulatory preconditions for post-trade activities

The regulatory context for post-trade activities is determined by two preconditions that are essential to understanding the procedures for clearing and settlement of security trades:⁹

- One is technical and derives from the compulsory recording of financial instruments in book-entry format and the resulting requirement that they be registered in a central register. The initial registration of securities by CSDs (in the central register) and ultimate settlement of any trades involving these securities by the same CSDs creates a “closed circuit” in securities trading.
- The second is legal and derives from the way parties contract with each other on secondary securities markets. This is done via two brokerage contracts – one to sell and one to buy the financial instruments admitted to trading – which, being complementary, resolve into a single sale/purchase agreement.

3 Regulation of clearing

3.1 The concept of clearing

3.1.1 The purpose of clearing

If we consider its purpose, clearing can be defined as the “process of establishing positions, including the calculation of net obligations, and ensuring that financial instruments, cash, or both, are available to secure the exposures arising from those positions”.¹⁰

3.1.2 Clearing as a procedure

The clearing process can be broken down chronologically into the following sequence of actions by CCPs:¹¹ i) the CCP accepts the trades; ii) the CCP records the trades in its register, according to its internal rules; iii) the accepted trades are novated by the CCP which – as its name implies – acts as counterparty to both sides in the trade, becoming the buyer for each seller and seller for each buyer; iv) the CCP assigns the buy and sell position in each trade to the corresponding open account,

9 For a detailed explanation of both these prior circumstances see my study: Tapia Hermida, A.J. (2017) (*op. cit.*), pp. 32 *et seq.*

10 EMIR, Article 2(3).

11 Article 63 of Royal Decree 878/2015. The Joint Report by the CNMV and Bank of Spain (*op. cit.*), p. 14, defined clearing as the “process of transmitting, reconciling and, in some cases, confirming the instructions for payment and transfer of securities and its purpose is to determine the final securities and cash positions to be booked after the settlement phase”. For a financial and economic view see González Pueyo, J. (*op. cit.*), p. 12, who defines clearing as the “process which takes place between the trading and the settlement of the trade, where the payment amount is calculated for the buyer of the shares, and the amount of shares to be sold by the seller of the shares”.

based on the accounting structure defined by regulations and by any supplementary circulars, so the positions can then be settled; v) the CCP calculates the credit and debit securities and cash positions for each open account and each clearing member for each settlement session; vi) the CCP generates net or gross settlement instructions, based on preset criteria; vii) the CCP passes the settlement instructions to the CSD; and viii) the CSD processes the settlement instructions received from the CCP based on its internal rules of procedure.

3.1.3 Novation as defining legal characteristic of clearing

The defining characteristic of clearing in legal terms is the “novation” of the trades and their associated obligations. The CCP interposes itself between seller and buyer so as to “legally substitute” itself in the relationship of legal obligations. This extinguishes the original contract and creates a new set of rights and obligations between new parties as the original sale/purchase agreement between the selling trading member and the buyer is split or partitioned into two separate sale/purchase agreements. The parties to these newly created agreements are respectively the members, who become clearers, and the CCP, who acts as buyer to the seller member and seller to the buyer member.

In this way, the obligations arising from the sale/purchase agreements are registered in the CCP, which substitutes itself – on the terms set out in its rules of procedure – for the original parties to the contract becoming buyer for the seller and vice versa. If this “novation”, which is explicitly referred to in article 63 of Royal Decree 878/2015, is mapped onto the classic categories for amending obligations laid out by articles 1203 *et seq.* of the Spanish Civil Code,¹² it seems that the CCP’s interposition service goes well beyond the concepts of modificatory or extinctive novation as it results in a “legal substitution” of the legal obligation relationship, which extinguishes the original agreement and creates a new set of rights and obligations between new parties. This gives rise to a sort of split or partition by which the original sale/purchase (A), between final seller and buyer – represented indirectly by their respective clearing members – divides into two other sales/purchases: (B), between the seller and the CCP, who acts as buyer; and (C), between the buyer and the CCP, who acts as seller. The parties change therefore, but not the purpose nor the essential obligations to deliver the thing and pay the price (article 1445 of the Spanish Civil Code).

3.2 Subjective structure of clearing: central counterparties and their clearing members

3.2.1 Central counterparties

EU law generically defines a central counterparty as a “legal person that interposes itself between the counterparties to the contracts traded on one or more financial

12 For these basic concepts see Díez-Picazo, L. (1983). *Fundamentos del derecho civil patrimonial* [Fundamentals of civil property law]. Vol. 1, Civitas, Madrid, pp. 795 *et seq.*; and De Asís Sancho Rebullida, F. (1991). *Comentario del Código Civil* [Commentary on the Civil Code]. Volume II, Ministry of Justice, Madrid, pp. 294 *et seq.*

markets, becoming the buyer to every seller and the seller to every buyer”.¹³ This generic definition implies subjective novation of the obligations arising from the original sale/purchase of securities which, as seen before, results in the “legal substitution” of the original legal obligation relationship.

Specifically, under Spanish law, CCPs are special types of limited companies that, authorised by the CNMV and under its supervision, fulfil the function of post-trade infrastructures in the mandatory centralised clearing phase – prescribed by Articles 93 and 238 of the recast text of the Securities Market Act – for trades in shares and warrants in multilateral trading segments of official markets and MTFs.

A key point to note is the ample scope of their functions. CCPs play a central role in trading the two basic types of financial instrument on securities markets. Functionally, they clear trades centralised in regulated markets and derivatives contracts traded OTC which are subject to mandatory clearing. Their purpose is to clear trades – acting as intermediaries between the two parties – in simple securities (such as bonds or shares) and derivatives with underlyings that may be financial or commodities (such as agricultural produce, oil or gas).

Regarding the central clearing of securities, CCPs must oversee the proper and efficient functioning of the clearing process and the control and mitigation of counterparty risk. To this end, have powers to monitor and control the operations, risks and collateral of their members, which they must fulfil in accordance with regulations in force and their own internal rules.¹⁴

3.2.2 Clearing members

CCP clearing members are financial firms that belong to one of the categories specified by law and can provide the solvency, technical capacity and collateral required to access and operate the system. They take part in the clearing process and report to CCPs the trades carried out as principal (if they are both clearing and trading members) or on behalf of trading members (if not).

3.3 The pathologies of clearing: default and financial crises at customers, clearing members or CCPs

The pathologies that afflict clearing and CCPs arise from two basic circumstances, defaults or financial crises. These can affect three types of participant in the system: customers, members or the CCPs themselves. Specifically, bankruptcy proceedings involving members or any of their customers will typically: i) give the CCP an absolute right of separation of collateral posted with the CCP by the defaulting members, and ii) lead the CCP to manage the transfer of contracts and positions registered on behalf of the customers as well as the cash and financial instruments constituting the collateral.

¹³ EMIR, Article 2(1).

¹⁴ Article 66 of Royal Decree 878/2015.

As with other financial intermediaries such as credit institutions, the existence of special regulations for CCP bankruptcy does not rule out – given the inefficiency of bankruptcy proceedings in such cases – the application of administrative solutions to crises affecting CCPs. On 28 November 2016, the European Commission put forward a Proposal for Regulation on the restructuring and resolution of CCPs.¹⁵ The proposal is based on the international principles for resolving financial crises in post-trade infrastructure referred to above, and notably adapts the current regulatory model for restructuring and resolution of credit institutions¹⁶ to CCPs. For this to work, it will be essential to distinguish between those CCPs that, although in crisis, remain viable – and so amenable to early intervention or restructuring measures based on the plans drawn up by the CCP itself – and CCPs in crisis that are unviable and will need to go into orderly insolvency proceedings under the resolution plans drawn up by their supervisory authorities.

4 Regulation of settlement

4.1 The concept of settlement

4.1.1 The purpose of settlement

The purpose of settlement is defined as “the completion of a securities transaction where it is concluded with the aim of discharging the obligations of the parties to that transaction through the transfer of cash or securities, or both”.¹⁷

15 See European Commission (2016). “Central Counterparties Recovery and Resolution Proposal: Frequently Asked Questions”, and my blog entry of 7 December 2016 on “Regulación de las crisis de las entidades de contrapartida central: la Comisión Europea propone normas sobre reestructuración y resolución de dichas entidades” [Regulating central counterparties in crisis: European Commission proposes restructuring and resolution rules]. Of particular interest is the opinion of ESMA on this Regulation Proposal (see ESMA (2017). “European Commission’s Proposal for EU Regulation on CCP Recovery and Resolution”, ESMA70-151-222), in which it argues that this is a balanced and proportionate proposal, consistent with current EU regulations including the EMIR and Bank Recovery and Resolution Directive (BRRD), as well as the IOSCO and FSB Principles on Restructuring and Resolution of CCPs. Specifically, ESMA gave its view on the key functions that it would take on under the new Proposal and the organisational implications of these functions.

16 See Rodríguez Quejido, V. and Portero Bujalance, J.M. (2016). “Resolution of central counterparties: Approach in the global regulatory agenda and response in the European Union”. *CNMV Bulletin*, December, pp. 71-87. On the model for restructuring credit institutions see also my studies: Tapia Hermida, A.J. (2016). “Las crisis bancarias en el sistema concursal español” [Banking crises in the Spanish insolvency system]. *Revista de Derecho Concursal y Paraconcursal*, No. 24, pp. 67 *et seq.*; and Tapia Hermida, A.J. (2015). “La regulación de la insolvencia de las entidades de crédito en la Disposición Adicional Segunda de la Ley Concursal” [Regulation of credit institution insolvency in the Second Additional Provision of the Spanish Bankruptcy Act]. *La Ley Mercantil*, No. 18.

17 Regulation No. 909/2014, article 2(1)(7). The joint CNMV and Bank of Spain report (*op. cit.*), p. 16, defines settlement as “the asset exchange phase, when each participant delivers (or receives) the securities and receives (or delivers) the cash, in the amounts calculated in the clearing phase”. For an economic-financial view, see González Pueyo, J. (*op. cit.*), p. 12, which says: “Settlement. This is the phase where cash and securities are exchanged. It requires the intervention of a settlement bank (generally a central bank) and of the central securities and custody depositories for the transfer of the securities”.

4.1.2 Settlement as a procedure

The procedure of trade settlement¹⁸ involves three phases:

- i) Communication of the cash and securities transfer orders to the CSD by a CCP, official market, MTF or one of their participants. CSDs' internal rules specify mandatory content for cash and securities transfer orders sent by their participating members which must be met if they are to be accepted and settled. Consistent with trading procedures and the procedures of any CCP involved, CSDs' internal rules allow various methods of communication, acceptance and execution of cash and securities transfer orders.¹⁹
- ii) Acceptance of transfer orders by CSDs, after checking they comply with their internal rules.²⁰
- iii) Execution of transfer orders by CSDs through trade settlement, which involves the transfer of securities, transfer of cash or both.²¹ The CSD settles securities trades by respectively crediting and debiting securities to the corresponding accounts in the central register, while the settlement participants simultaneously make any corresponding entries in their detailed register accounts.²²

4.1.3 Extinguishing obligations through payment as a defining legal characteristic of settlement

This concept of the purpose of settlement suggests that its essential legal characteristic is as the first way to extinguish obligations incurred under Article 1156 and associated provisions of the Spanish Civil Code²³ by “the transfer of cash, securities or both”, which refers us to, respectively, regulations on the payment of cash debt (Article 1170) and on the delivery of a generic thing (Article 1167) as the book entry securities from a single issue are fungible in nature (Article 18 of Royal Decree 878/2015).

18 Articles 32 and 33 of the Sociedad de Sistemas (IBERCLEAR) Regulation in force, as amended on 28 July 2016, require a “diversity of means of communication, acceptance and execution of transfer orders” and the “special optional procedure for financial intermediaries”.

19 Articles 79(1) and 79(2) of Royal Decree 878/2015. Article 30 of the Sociedad de Sistemas (IBERCLEAR) Regulation in force, as amended by 28 July 2016, specifies the format for “communication of cash and securities transfer orders”.

20 Article 31 of the Sociedad de Sistemas (IBERCLEAR) Regulation in force, as amended by 28 July 2016, specifies the format for “acceptance of transfer orders processed by the system. Irrevocable and firm orders”.

21 The Articles 34 and 35 of the Sociedad de Sistemas (IBERCLEAR) Regulation in force, as amended on 28 July 2016, specifies the form for securities and cash settlement.

22 Articles 80(2) and 80(3) of Royal Decree 878/2015.

23 For these basic concepts, see Diez-Picazo, L. (*op. cit.*), pp. 850 *et seq.* and Bercovitz Rodríguez-Cano, R. (1991). *Comentario del Código Civil*, Madrid, Ministry of Justice, Volume II, pp. 163 *et seq.*

4.2 Settlement creates two critical points of intersection between company law and securities market law

From a legal perspective, the settlement phase includes two critical points where company law (the “production” phase of the securities) intersects with securities market law (the primary and secondary “distribution” phases of the securities). We explain these below.

4.2.1 CSDs’ responsibility to control the integrity of issues

The first critical point of intersection arises because the securities settlement systems, run by the CSDs, have a collateral role in safeguarding the integrity of issues of book-entry securities and preventing the pathological inflation of securities by their unauthorised creation, modification or deletion in the course of the trading process. CSDs therefore provide a “notary service” in securities custody systems, through which CSD participants report investors’ holdings of securities. This makes them an essential instrument in the process of controlling the integrity of an issue. In other words, they help prevent pathological inflation of securities by the unauthorised creation or deletion of securities outstanding and so make an important contribution to sustaining investor confidence.²⁴ In equities, integrity means that the number and class of shares issued by listed public limited companies constituting their initial share capital (Articles 4 and 23 d) of the Capital Companies Act) or in subsequent share issues (Articles 295 *et seq.* of the Capital Companies Act) match the number of shares in the same companies being traded on the official markets or MTFs. So, appropriate settlement processes should prevent any imbalances emerging. Something analogous may be said of bonds issued by listed public limited companies, where the integrity of the issue requires that the number of issued shares (Articles 401 *et seq.* of the Capital Companies Act) should match those traded in an official market or MTF at any given time.

Finally, controlling the integrity of securities issues by proper settlement of trades is essential to fulfilling two of the basic principles of company and securities market regulation: i) the founding principle of any capital company that the share capital should correspond to the wealth and ii) the principle of investor protection that no investor should end up holding shares or bonds with no effective claim on the wealth of the issuer but which were instead created by pathological inflation caused by improper settlement of trades in these instruments.

The importance of CSDs’ duty to safeguard the integrity of issues is amply illustrated first by the fact that failure to fulfil them would trigger the corresponding

24 Principle 11 of the OICV/IOSCO “Principles for financial market infrastructures” states that a CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. Section 1(11), p. 8, of the same document states that CSDs play an important role in helping to ensure the integrity of securities issues, that is, ensure that securities are not accidentally or fraudulently created or destroyed or their details changed as a result of their trading process.

administrative liability²⁵ and second by the stress laid on this point in the legal status of CSD participants.²⁶

4.2.2 Coordinating settlement of trades in securities on the market and settlement of the rights and obligations arising from those securities

The second critical point of intersection lies in the need to coordinate the settlement of trades in securities on the market and settlement of the rights and obligations arising from those securities, as a result of either transactions that transfer ownership of securities (dynamic settlement) or decisions of the issuing companies (static settlement).

The generation of rights and obligations for holders of securities admitted to trading is relevant to our study from the point of view of their recording in a book-entry system and the clearing and settlement of trades in two different forms or at two different moments: static settlement (where ownership of securities is not transferred) or dynamic settlement (where ownership has been transferred).²⁷ It is therefore necessary to coordinate the three types of institution involved in these processes, to guarantee the chronologically correct assignment of rights and obligations to their owners. Chronological coordination is done in two ways:

- First, in static or non-transfer form, i.e., irrespective of whether the securities are being transferred and the holder therefore changes, the issuer (for instance, a closed limited company, *sociedad anónima cerrada* or SAC) must disclose the economic rights and obligations attaching to the securities as

25 Article 288(1)(f) of the recast text of the Securities Market Act defines as a gross breach any “failure to fulfil the specifications of the services offered, contained in Articles 37 to 41, when these pose a serious risk to the integrity of the settlement or registry system or seriously prejudice the interests of participants or securities holders or pose a serious risk to the securities of the participants or their customers”. All the more so, if we take into account Article 37(1) of Regulation (EU) No. 909/2014, which, talking about the “integrity of the issue”, declares that: “A CSD shall take appropriate reconciliation measures to verify that the number of securities making up a securities issue or part of a securities issue submitted to the CSD is equal to the sum of securities recorded on the securities accounts of the participants of the securities settlement system operated by the CSD and, where relevant, on owner accounts maintained by the CSD. Such reconciliation measures shall be conducted at least daily”.

26 Also, Article 8 of the Sociedad de Sistemas (IBERCLEAR) Regulation in force, as amended on 28 July 2016, begins by saying: “Participants must fulfil the obligations laid down by Spanish regulations on accounting for book-entry securities and those in this Regulation and its implementing Circulars and Instructions. To do this, they shall have and maintain, and make available to the Sociedad de Sistemas, the information necessary to meet the specifications set out for each of the accounts described in Article 19 and, specifically, the accounts they keep in their Detailed Registers. They shall also put in place the measures necessary to maintain an accurate and permanent coincidence of their Detailed Registers with the balances recognised in the Central Register”.

27 The Sociedad de Sistemas (IBERCLEAR) Regulation in force, as amended on 28 July 2016, states in Section II of its Preamble: “At the same time, the Sociedad de Sistemas has an important task in respect of securities issuers: not only does it guarantee the integrity of security issues included in its register, but it is also a channel through which holders can exercise their rights against issuers and issuers can submit requests for information about their shareholders’ identities”.

soon as it has passed the corresponding resolution²⁸ to two types of entity: the CSDs that keep the securities registers and settle trades in them, and the management firms of the official markets and MTFs where they are admitted to trading.²⁹

- Second, in dynamic or transfer form, i.e., when securities are transferred with a consequent change of ownership, raising the additional problem of how to chronologically assign the profits, rights and obligations that ownership confers. In fact, chronological assignment is done in one of two ways, depending on the class of security in question. Shares and other equity instruments are assigned to the buyer as from the purchase date in the official market or MTF, i.e., from the trade date. In these cases, settlement takes retrospective effect, being backdated to the time of the trade. Fixed-income and other non-equity securities are assigned to the buyer as from the settlement date of the corresponding purchase transaction. In these cases, settlement and trade effects coincide and take effect simultaneously.

That said, coordinating trade settlement and settlement of rights and obligations, means that if settlement is delayed or otherwise affected appropriate adjustments can be made to settlement of the related rights and obligations.³⁰ Specifically, it will be up to the CSDs to make the proper corrections in cases where, due to delays or fails at the settlement stage, the rights or obligations attaching to a security have been assigned to the wrong owner. The CCP involved in settlement can make the appropriate adjustments to securities lending transactions to compensate the lender for the economic rights they deserve.³¹

Finally, we should remember that Article 497(1) of the Capital Companies Act gives SACs the right to ask the registrar institutions for data on their shareholders.³²

28 For instance, agreements to distribute social surpluses that confer dividend rights (Articles 93 and 275(2) of the Capital Companies Act) or agreements to increase capital charged to reserves that generate the right to receive free new shares (Article 303 of the Capital Companies Act).

29 These communications must specify the dates for the recognition, exercise, fulfilment and payment of the corresponding rights and obligations in light of the regulations in force governing the trading, clearing, settlement and registry of transactions in securities admitted to trading in the markets concerned. See Articles 95(1) and 95(2) of the recast text of the Securities Market Act.

30 Article 95(3) of the recast text of the Securities Market Act.

31 Article 84 of Royal Decree 878/2015 regulates the “management of corporate actions in the event of settlement delays or defaults”.

32 Article 26 of the Sociedad de Sistemas (IBERCLEAR) Regulation in force, as amended on 28 July 2016, sets out the system for providing data to issuers on the identify of shareholders saying: “The Sociedad de Sistemas shall provide issuers of nominative securities and other issuers on request, with daily notifications on ownership data derived from the trades settled in their shares or other equity instruments so they can update their register and communicate with their shareholders or other investors. The Sociedad de Sistemas may receive communications from issuers regarding possible discrepancies so that these can be passed on, analysed and clarified by the Registrar participants (...)”.

4.3 Subjective structure of settlement: central securities depositaries and their participants

4.3.1 Central securities depositaries

In general, EU law defines a central securities depositary or CSD³³ as a legal person that manages a securities settlement system (“settlement service”) and provides at least one of the other core services listed in section A of the Annex to Regulation 909/2014, which are: initial recording of securities in a book-entry system (“notary service”), and providing and maintaining securities accounts at the top tier level (“central maintenance service”).³⁴

Specifically, under Spanish law CSDs are special types of limited companies that, authorised by the CNMV and under its supervision, carry out the role of post-trade infrastructures in the post-trade settlement phase – prescribed by Articles 94 and 95 of the recast text of the Securities Market Act – for trades in shares and warrants in multilateral trading segments of official markets and MTFs.

The functions legally assigned to CSDs share two common features. The first is their dual power/duty nature. This is inherent to the concept of their functions which are assigned to CSDs as powers that they must exercise. The second common feature is that they are subject to powers of supervision, inspection and sanction assigned by Title VIII of the recast text of the Securities Market Act to the CNMV. This is because CSDs are private entities which must exercise their functions in all circumstances – as they affect other private entities or individuals – under the supervision of the public supervisory authorities for securities markets, which is the CNMV. As we shall see, the scope of public oversight includes not only regulatory functions, in the form of communication to the CNMV and Bank of Spain and the CNMV’s power to suspend entities, but also supervisory functions, in the form of CSDs’ duties of communication to the CNMV and the CNMV’s powers to require actions of the CSDs.

All of which obliges the CSDs to take on two principal functions:

- Supervisory functions, as they must supervise the actions of third-parties related to their two central activities, which are: i) to keep the central register of listed securities in book-entry form, verifying they are correctly recorded at both tiers of the registry, to ensure that the total number of securities in any particular issue tallies exactly with the number recorded in the corresponding accounts in both central and detailed registers, and ii) to centrally manage the processes of settlement, controlling and promoting their efficiency and accuracy and overseeing efficient settlement of all transactions, especially where as a result of clearing, they are settled by book-entries in the detailed registers kept by participants.

Note that, because the CNMV has a role to oversee, among other matters, the CSDs supervisory functions – quite separate from the CNMV’s own powers of

33 Article 2(1)(1) and Annex to the 2014 Regulation.

34 Title V (Articles 27 *et seq.*) of the Sociedad de Sistemas (IBERCLEAR) Regulation in force, as amended on 28 July 2016, regulates the “management of settlement systems”.

supervision, inspection and sanction under Title VIII of the recast text of the Securities Market Act – the CSDs must maintain a threefold dialogue:

- i) Dialogue with their participants. CSDs can demand whatever information they see fit for the exercise of their monitoring and control functions; carry out on-site inspections of entities' activities directly on their premises with their consent;³⁵ and instruct them to remedy any identified functional issues, inaccuracies or failings in their monitoring and control activities.³⁶ Also, where any participants fail to comply with their obligations, the CSDs can – in accordance with their internal rules – impose remedies in the form of special reporting and oversight duties, total or partial suspension or exclusion from their activities.³⁷
- ii) Dialogue between CSDs and the CNMV is two-way. First, CSDs must immediately notify the CNMV of any events and actions they become aware of in the course of their functions which may breach the mandatory regulations or deviate from the underlying principles of securities markets regulation. There is a special case where dialogue concerns a default by participants and the CSDs must take corrective measures. These can follow either of two procedures depending on the scope of the default: if the default is of normal or internal scope, there is no need to notify the CNMV. If however, is of special, external or qualified scope – i.e., if it might disrupt the securities settlement or registry processes – then it must be notified to the CNMV, which can then suspend or cancel application if it considers such measures infringe the law or threaten the proper functioning of settlement or registry in securities markets.³⁸ In general, CSDs must offer the CNMV any assistance it requests in its supervision, inspection and sanction functions. The CNMV, meanwhile, can demand of CSDs any information it needs to assess whether they are fulfilling their monitoring and control obligations, or to help them define regulations for this activity.
- iii) Finally, remembering that – under the general framework for securities trading explained in Section 1.1 of this article – settlement of trades by the CSDs is the second and final phase of the post-trade process and is preceded by and originates from trading on official markets or MTFs, it is logical that there should be measures to coordinate private supervision over the successive phases. For this reason, CSDs will cooperate on request with the management companies of the official markets or MTFs they serve, particularly as regards helping management companies' with their regulatory obligations to collect and publicise information.³⁹

35 Article 74(1)(a) of Royal Decree 878/2015 provides that CSDs shall notify the CNMV of any instances where consent is not given.

36 Article 74(1)(b) of Royal Decree 878/2015.

37 Article 74(3) of Royal Decree 878/2015.

38 Article 74(4) of Royal Decree 878/2015.

39 Article 74(5) of Royal Decree 878/2015.

- Reporting functions, as CSDs have to manage the system of information used to supervise trading, clearing, settlement and registry of securities. The CSDs providing services in Spain are obliged to set up a system for informing, transmitting and storing data for two purposes, corresponding to their two core fields of activity: i) as regards the registry of book-entry securities, these data provide a way to oversee the accuracy of the central and detailed securities registers, and ii) as regards trade settlement, they represent a tool to exchange and process information to support the clearing, settlement and registry of securities admitted to trading on an official market or MTF.⁴⁰

4.3.2 Participants

CSD participants are financial firms that belong to one of the categories specified by law and meet the required access and qualifying conditions to take part in the settlement process. They do this by communicating orders to transfer cash and securities to the CSD and, once these have been accepted and the corresponding entries made in the central register, execute the orders by making the corresponding credit and debit entries in the detailed registers they manage.

4.4 The pathologies of settlement: failed settlement and financial crises affecting CSD participants

4.4.1 Failed settlement

The pathologies that affect settlement include, first, a settlement failure, which CSDs will handle differently depending on whether or not a CCP was involved. On this point, CSDs must have procedures in place to prevent and manage any failures to deliver securities or pay cash by the settlement deadline.⁴¹ These procedures must include obligatory and optional elements: i) the obligatory content must include processes for recycling and partial settlement of transfer orders; ii) the optional content may include instituting multiple settlement cycles, procedures for selecting securities transfer orders and cash so as to maximise the number and amount of trades settled, or any other procedure that, in light of the type of trade concerned and possible involvement of a CCP, are considered fit for the purpose of achieving a more efficient settlement outcome.⁴² Of particular interest on this point are the ESMA Guidelines on rules and procedures in the event of non-payment by a CSD

40 Article 114(1) of the recast text of the Securities Market Act.

41 Recital 14 of Regulation No. 909/2014 says: "CSDs and other market infrastructures should take measures to prevent and address settlement fails. It is essential that such rules be uniformly and directly applied in the Union. In particular, CSDs and other market infrastructures should be required to put in place procedures enabling them to take appropriate measures to suspend any participant that systematically causes settlement fails and to disclose its identity to the public, provided that that participant has the opportunity to submit observations before such a decision is taken".

42 Article 81 of Royal Decree 878/2015 requires that such procedures should comply with Articles 6 and 7 of Regulation (EU) No. 909/2014 and its implementing rules.

participant, issued on 23 March 2017 in accordance with its powers under Article 41(4) of Regulation (EU) No. 909/2014.⁴³

4.4.2 Financial crises affecting CSD participants

The second type of pathology is the insolvency of CSD participants, which has two typical effects: first, the attribution to the CSD of an absolute right of separation of the assets or rights constituting the collateral posted by participants in their systems and, second, the attribution to the CNMV of a power to order immediately and free of charge to the investor the transfer of their securities accounts to another authorised account-keeper.

5 Conclusions

- Trading in financial instruments on official markets or MTFs involves two phases: the trading phase, when seller and buyer come to an agreement, and the post-trade phase, when the agreement is executed by central clearing and settlement of the transaction, ending with the transfer of the financial instruments and cash from seller to buyer and vice versa.
- The regulatory context for post-trade activities is determined by two preconditions that are essential to understanding the procedures for clearing and settlement of security trades:
 - i) One is technical and derives from the compulsory recording of financial instruments in book-entry format and the resulting requirement that they be registered in a central register. The initial registration of securities by CSDs (centrally) and final settlement of trades involving them by the same CSDs creates a “closed circuit” of securities trading.
 - ii) One is legal and derives from the way parties contract with each other on secondary securities markets. This is done via two brokerage contracts – one to sell and one to buy the financial instruments listed for trading – which, being complementary, resolve into a single sale/purchase agreement.
- The defining characteristic of clearing in legal terms is the “novation” of the trades and their associated obligations. The CCP interposes itself between seller and buyer so as to “legally substitute” itself in the relationship of legal obligations. This extinguishes the original contract and creates a new set of rights and obligations between new parties as the original sale/purchase agreement between the selling trading member and the buyer is split or partitioned into two separate sale/purchase agreements. The parties to these newly created agreements are respectively the members, who become clearers, and the CCP, who acts as buyer to the seller member and seller to the buyer member.

⁴³ ESMA (2017). “Final Report. Guidelines on participant default rules and procedures under Regulation (EU) No. 909/2014”. ESMA70-708036281-8.

- The pathologies that afflict clearing and CCPs stem from two basic cases, defaults or economic crisis. These can affect three types of player in the system (customers, members and the CCPs themselves). Specifically, bankruptcy proceedings involving members of a CCP or any of their customers will typically: first, give the CCP an absolute right of separation of collateral posted with the CCP by the defaulting members or clients, and second, lead the CCP to manage the transfer of contracts and positions registered on behalf of the customers as well as the cash and financial instruments constituting the collateral.
- The essential legal characteristic of settlement – defined in law as the completion of a securities trade so as to extinguish the obligations of the parties – identifies it as the first way to extinguish obligations incurred under Article 1156 and associated provisions of the Spanish Civil Code by “the transfer of cash, securities or both”, which refers us to, respectively, the regulations on the payment of cash debt (Article 1170) and those on the delivery of a generic thing (Article 1167) as the book entry securities from a single issue are fungible in nature (Article 18 of Royal Decree 878/2015).
- From a legal perspective, regarding trade settlement, the first critical point where company law intersects with securities market law lies in the collateral function of the securities settlement systems run by the CSDs to safeguard the integrity of issues of book-entry securities so as to prevent the pathological inflation of securities by their unauthorised creation, modification or deletion as a result of the trading process.
- The second critical point of intersection between company law and securities market law lies in the coordination of the settlement of trades in securities on the market and the settlement of the rights and obligations arising from those securities, as a result of transactions that transfer ownership of securities (dynamic settlement) or resolutions of their issuing companies (static settlement).
- The pathologies that affect settlement may include a failure of settlement, which CSDs will handle differently depending on whether or not a CCP was involved, and the insolvency of CSD participants which will typically have the following effects: first, the attribution to the CSD of an absolute right of separation of the assets or rights constituting the collateral posted by participants in their systems and, second, the attribution to the CNMV of a power to order immediately and free of charge to the investor the transfer of their securities accounts to another authorised entity.

Trading of Spanish equity securities on other European platforms

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1 Introduction

1 November 2017 will be the tenth anniversary of the entry into force of the Markets in Financial Instruments Directive, known as MiFID,¹ and, more recently, as MiFID I to distinguish it from the new Directive – MiFID II – and from the MiFIR Regulation,² which from 2018 onwards will shape the new regulatory framework of markets in financial instruments in Europe.

Coupled with technological progress, over this period implementation of the Directive has brought about a major change in the way that equities are traded in Europe. Before MiFID I became effective, trading was strongly concentrated in conventional stock exchanges. Now, however, it is widely fragmented into different transaction execution systems and venues which, in the form of regulated markets, multilateral trading facilities (MTFs) and systematic internalisers, are in intense competition with one another. There has also been a considerable rise in the proportion of trading volume processed via opaque or low-transparency systems, including OTC (over-the-counter) trading.

MiFID I prompted the emergence of numerous trading platforms in Europe, most of which elected to operate under the MTF regime, under the aegis of leading investment banks and European regulated markets themselves. By December 2008, only one year after the entry into force of the Directive, the European Securities and Markets Authority (ESMA) had accepted on its records 120 MTFs. Half of them had been authorised by the UK regulator. Four MTFs were registered in Spain.³ The number of registered systematic internalisers was far lower (12), and has not changed significantly since then.

Competition among execution venues has led to considerable migration of trading in securities listed on European regulated markets to MTFs and other regulated markets (see Figure 1). In the more transparent trading segments, specifically in open trading during continuing trading hours, the migration has mostly targeted new platforms, especially CHI-X, BATS-Europe and Turquoise, all of which were originally authorised in the United Kingdom as MTFs – although CHI-X and

1 Directive 2004/39/EC of the European Parliament and of the Council, of 21 April 2004, on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council, and repealing Council Directive 93/22/EEC. It entered into force on 1 November 2007.

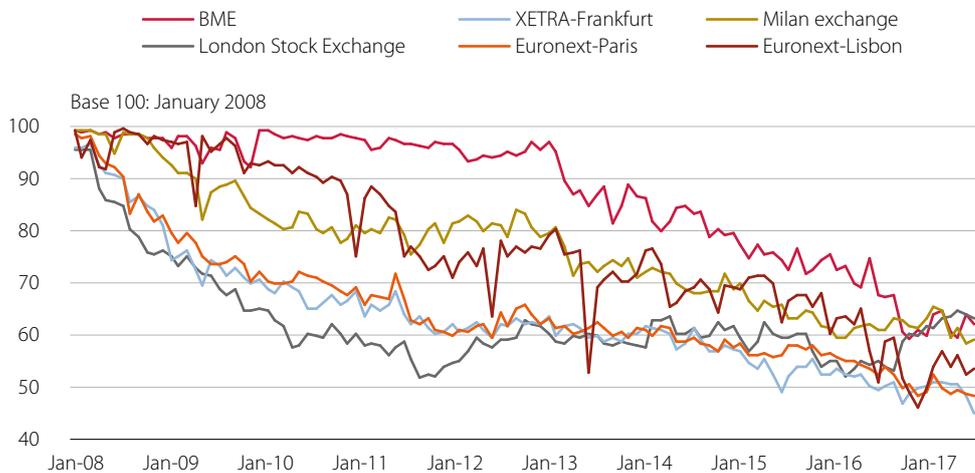
2 Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments and Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments and amending Regulation (EU) No. 648/2012.

3 Three operated by BME (MAB, Latibex and Senaf) and one by Grupo MTS (MTS SPAIN).

BATS-Europe now operate as regulated markets. In the less transparent segments, however, the main competitor has been and continues to be a regulated market: the London Stock Exchange.

Trading volume shares of the main regulated markets in Europe (trading subject to regulated market rules)

FIGURE 1



Source: CNMV, based on data supplied by Reuters.

Figure 1 shows that migration occurred relatively swiftly in the leading European stock exchanges, except the Spanish exchange, possibly as a result of the distinctive features of the securities clearing, settlement and registry system with respect to standards applied in peer markets, which made it more expensive to trade in Spanish securities from overseas. Those distinctive features have been at least partly removed with the setting in motion of a reform of the system in late April 2016.

This article reviews changes over time in BME’s share of the trading volume of Spanish equity securities listed on its exchange in comparison with the data for other leading European regulated markets. Trading in the order book subject to pre-trade transparency requirements is analysed separately from block trading and special transactions. The comparison also takes account of trading reported as OTC. We identify a range of factors that may have influenced choice of trading venue in the context of the present competitive environment of European markets.

We first highlight three key aspects of the regulatory framework put in place by MiFID I: the classification of execution venues under the Directive; the subjection of brokers processing or executing orders to a rule based on the principle of best execution; and the transparency regime that applies to transactions. In relation to the principle of best execution, we provide a table setting out the results of a recent horizontal review of compliance conducted by CNMV, Spain’s securities market regulator.

Next, we address the potential implications of the new regulatory regime introduced by MiFID II and MiFIR for the structure of equities trading in Europe, with a focus on the potential effects of the restrictions imposed on OTC trading. At the end of the article we supply a range of conclusions.

2 MiFID I: execution venues, transparency rules and best execution principle

MiFID I is one of the major directives adopted in the past decade to support integration of financial services across the European Union. The purpose of the Directive was to put in place a regulatory framework for transactions on the secondary market that would assure transaction execution quality and integrity and general efficiency across the financial system as a whole, in a context characterised by widely diverse order execution systems. Although, as indicated earlier, conventional exchanges were clearly dominant in equity trading, when the Directive was drafted there was already significant activity in “alternative trading platforms”, which supported equities, fixed-income and derivatives. In addition, some activity was channelled through OTC deals. Hence the new Directive was based on an acknowledgement of the diversity of execution systems and venues,⁴ and was intended to regulate trading in that new context.

The MiFID I regulatory framework covers a wide range of aspects of order execution. Highlights include the classification of trading venues and systems, the introduction of an effective duty to execute orders under the best possible terms for clients, and a regime of transaction transparency. These three aspects are fundamental to the configuration of the current framework of competition among execution venues.

2.1 Execution venues

The scope of MiFID I includes three types of order execution venues or systems: regulated markets, multilateral trading facilities, and systematic internalisers. Transactions concluded outside these execution venues are classified as OTC. For equities, venues regulated by MiFID I account for most trading today, but OTC transactions are a substantial portion of the total, specifically about 40% (coming close to 50% in some countries).⁵

The definitions of “regulated market” and “MTF” under the Directive are closely aligned to highlight that both venues provide the same organised trading functionality.⁶ Hence both are defined as multilateral trading facilities that bring together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract. Regulated markets must be operated by a managing entity that is subject to requirements that are harmonised in the Directive itself, whereas MTFs may be operated by the managing entity of a regulated market or by an investment firm.

MiFID I regards regulated markets as benchmarks – not coincidentally, most of them are conventional stock exchanges – and they accordingly attract a considerably greater regulatory burden than MTFs. Hence, securities traded on regulated markets are subject to a wide range of European statutory rules (minimum listing

4 See, for instance, Recital 5 of Directive.

5 According to Reuters data, in April 2017 OTC trading accounted for 40.7% of all equity transactions aggregated at the European level, and 30.4% for Spain, 12% for Italy, 45.5% for France, 47.1% for Germany, 41.7% for the United Kingdom and 31.5% for Portugal.

6 Recital 6 of the Directive.

requirements; initial, ongoing and occasional public reporting; takeover bids; market abuse; MiFID itself, etc.). The only rules applicable to securities traded on MTFs, however, are the statutory regime on market abuse and MiFID, with the further advantage that in most cases compliance with these rules is aided by the fact that MTFs basically trade in securities that are listed on regulated markets.

A systematic internaliser is defined in the Directive as an investment firm or credit institution which, on an organised, frequent, systematic and substantial basis, deals on own account when executing client orders outside a regulated market or an MTF. By introducing this mode, the Directive regulates a form of trading that might be regarded as contiguous with bilateral OTC dealing, being distinguished from the latter by its organised, frequent and systematic nature. In fact, transactions processed by these agents must be reported as OTC deals through approved publication arrangements (APAs).

The European Securities and Markets Authority (ESMA) currently has on its books 106 regulated markets, 153 MTFs and 11 systematic internalisers.⁷

Most equity trading on regulated markets is concentrated in a small number of conventional stock exchanges and their related markets (London Stock Exchange, the German exchange, Euronext Paris, Bolsa de Madrid and the Milan exchange), together with CHI-X and BATS-Europe, two major trading venues that form part of the same group – initially set up as MTFs, they have operated as a regulated market since 2013. In the regulated markets domain, the largest operator is the London Stock Exchange (LSE) Group, which manages the London Stock Exchange and the Milan exchange, as well as Turquoise, one of the largest MTFs. Other major players include the Euronext group, which operates the Paris, Amsterdam, Brussels, Lisbon and Euronext London exchanges, and the Deutsche Börse group, which manages the Frankfurt Stock Exchange and the German XETRA market. As to MTFs, equity trading is also concentrated in a relatively small number of trading venues. After the change of status of CHI-X and BATS-Europe, the leading venue is Turquoise. And, as to systematic internalisers, most of them belong to leading banks. Six out of eleven systematic internalisers registered with ESMA are authorised in the United Kingdom.

In Spain there are five registered regulated markets,⁸ all of which are managed by the BME group, which for equities operates mainly through the continuous market, an order-driven market that interconnects the four Spanish stock exchanges. There are also four registered MTFs, all of them likewise operated by the BME group (Mercado Alternativo Bursátil, Mercado Alternativo de Renta Fija, Latibex and Senaf).

MiFID I treats OTC deals as bespoke transactions executed bilaterally between wholesale counterparties, and usually for an amount above the market average. OTC trading can provide institutional investors with more efficient portfolio management in accordance with their objectives. Because these deals are usually closed without prior transparency, their impact on price formation in the market – despite their large amount – may be lessened.

⁷ Data as at 19 May 2017.

⁸ Bolsa de Madrid, Bolsa de Barcelona, Bolsa de Bilbao, Bolsa de Valencia, AIAF Mercado de Renta Fija, Mercado de Deuda Pública en Anotaciones and MEFF Exchange.

OTC trading also includes internal matching systems operated by some banks and brokers. These electronic systems match client orders to other client orders or to the entity's proprietary dealing account.

OTC transactions are reported through APAs.

2.2 Trading transparency

Within the framework introduced by MiFID I, one and the same security can be traded in different execution venues. This accentuates the importance of transparency rules, both prior to trading (pre-trade transparency) and afterwards (post-trade transparency), to inform and protect investors, aid in the choice of execution venue and ensure correct price formation. The Directive sets these rules for equity trading only, and leaves it to the Member States whether or not to introduce rules for other financial instruments. Transparency requirements vary on the basis of the execution venue and the volume traded.

Pre-trade transparency requirements of equity trading applicable to regulated markets and MTFs¹

TABLE 1

System type	System description	Information to be disclosed (Article 17)
Continuous auction order book trading system	A system that by means of an order book and a trading algorithm operated without human intervention matches sell orders with matching buy orders on the basis of the best available price on a continuous basis.	The aggregate number of orders and the shares they represent at each price level, for at least the five best bid and offer price levels.
Quote-driven trading system	A system where transactions are concluded on the basis of firm quotes that are continuously made available to participants, which requires the market makers to maintain quotes in a size that balances the needs of members and participants to deal in a commercial size and the risk to which the market maker exposes itself.	The best bid and offer by price of each market maker in that share, together with the volumes attaching to those prices.
Periodic auction trading system	A system that matches orders on the basis of a periodic auction and a trading algorithm operated without human intervention.	The price at which the auction trading system would best satisfy its trading algorithm and the volume that would potentially be executable at that price.
Periodic trading system not included in the above categories	A hybrid system falling into two or more of the first three rows or a system where the price determination process is of a different nature than that applicable to the types of system covered by first three rows.	Adequate information as to the level of orders or quotes and of trading interest; in particular, the five best bid and offer price levels and/or two-way quotes of each market maker in the share, if the characteristics of the price discovery mechanism so permit.

Source: CNMV.

¹ Commission Regulation (EC) No. 1287/2006, of 10 August 2006, implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive.

The transparency regime for equity trading on regulated markets and MTFs is similar. The schematic presented in Table 1 summarises the pre-trade transparency requirements for both types of venue, i.e., buy and sell prices and volumes that must be publicly disclosed before trading. As shown in the table, the required information reflects the features of the different trading systems the venues can use.

The general regime on pre-trade transparency includes a range of waivers,⁹ including waivers relating to large-in-scale trades, where only post-trade transparency requirements apply. An order is treated as large in scale in comparison with normal market size if it is equal to or greater than the minimum size set out in Table 2, which varies on the basis of average daily turnover (ADT) of the share as calculated for the last full calendar year.¹⁰

Large orders in comparison with normal market size

TABLE 2

Amounts expressed in euro

Class in terms of average daily turnover (ADT) ¹	Minimum size of order qualifying as large in scale compared with normal market size
ADT < 500,000	50,000
500,000 ≤ ADT < 1,000,000	100,000
1,000,000 ≤ ADT ≤ 25,000,000	250,000
25,000,000 ≤ ADT ≤ 50,000,000	400,000
ADT ≥ 50,000,000	500,000

Source: CNMV.

1 ADT: average daily turnover.

As to post-trade transparency, regulated markets and MTFs must disclose the price, size and execution time of trades. However, disclosure as to large trades may be deferred for a period ranging from 60 minutes to 3 days, on the basis of the size of the trade.

Systematic internalisers trade bilaterally with their clients, to whom they offer firm quotes. These quotes are not widely disclosed, and access to them is granted by the systematic internalisers themselves. Hence, the information may not be readily available to the general public.

Nevertheless, systematic internalisers are also subject to some transparency requirements. In the domain of pre-trade transparency, they are subject to requirements that differ on the basis of whether the share has a liquid market or not, or whether the size of the order exceeds standard market size or not:

- As a general rule, they must publicly disclose firm quotes when a client order is for shares admitted to trading for which there is a liquid market and when such shares are equal to or less than standard market size for a given category of shares.

⁹ In accordance with Articles 18 and 19 of Commission Regulation (EC) No. 1287/2006, of 10 August 2006.

¹⁰ In accordance with Article 33 of Commission Regulation (EC) No. 1287/2006, of 10 August 2006.

- If the shares do not have a liquid market, quotes are disclosed only at the client's request. When the shares do have a liquid market but the order size exceeds standard market size, the systematic internaliser is not subject to an obligation to publicly disclose its firm quotes.

As to post-trade transparency, systematic internalisers must publicly disclose the size and price of trades concluded with shares that are admitted to trading on regulated markets. As indicated, because trades handled by systematic internalisers are bilateral, they must be reported as OTC deals through APAs.

2.3 Application of the best execution principle

The Directive imposes on investment firms a “best execution” obligation to ensure that orders are executed on the best possible terms for the client. Specifically, Article 21 requires that investment firms “take all sufficient steps to obtain, when executing orders, the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. Nevertheless, where there is a specific instruction from the client the investment firm shall execute the order following the specific instruction”.

To discharge this obligation effectively, investment firms must establish an order execution policy that specifies, for each class of financial instrument, the execution venues where the firm executes its clients' orders and the factors that bear upon the choice of venue. The information must at least include those venues that enable the firm to obtain on a consistent basis the best possible result for the execution of client orders. Clients must be informed of these policies, and their prior consent to them must be sought. If the possibility is contemplated of executing orders outside a regulated market or an MTF, again, the client's prior consent is required before execution may proceed.

So the best execution principle set out in MiFID I is a complex rule based on assessment of multiple factors. This makes it hard to apply by intermediaries, and compliance with it hard to verify by clients or supervisory bodies. The European Commission has supplemented Article 21 of MiFID I with implementation measures that look to: i) the criteria for determining the relative importance of the different factors that may be taken into account for determining the best possible result taking into account the size and type of order and the retail or professional nature of the client; ii) factors that may be taken into account by an investment firm when reviewing its execution arrangements to ensure correct application of the rules; and iii) the information that these firms must supply to their clients on their execution policies.¹¹

The difficulties of supervising compliance by intermediaries with best execution rules were clearly reflected in a report by ESMA of February 2015, in which it set out

11 Article 44 of Commission Directive 2006/73/EC, of 10 August 2006, implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

a peer review of the implementation of the rules in various countries and of convergence in supervisory practices across competent national authorities.¹² The report revealed that both implementation of the rules and supervisory convergence had reached only a low standard, and urged the adoption of certain measures to improve the situation. In 2016, ESMA followed up the measures taken by national authorities after publication of the earlier report, and significant improvements were found to have been achieved.

The following exhibit summarises the results of the horizontal review conducted by the CNMV in 2016 on compliance with the best execution principle in Spain.

Horizontal review of entities' best execution duties

EXHIBIT 1

ESMA's peer review of the supervisory practices of the various competent authorities as to best execution – mentioned earlier – recommended that European supervisors reinforce their supervisory actions in this domain, which to date had not been treated as a priority. The CNMV's Activity Plan for 2016 adopted this recommendation, and pointed out that, by way of an extension of the institution's efforts to move towards closer supervisory convergence, in that same year a horizontal review would be conducted of compliance with best execution requirements.

The review has focused on trading in Spanish equities, based on a sample of 15 credit institutions and investment firms providing order execution or receipt and transmission services. Sample selection considered, among other factors, trading volume, whether the service provided consisted of execution or of receipt and transmission of orders, and the presence of significant services provided to retail clients.

The review has identified a range of shortfalls that must be corrected. In addition, adaptation to the best execution requirements introduced by Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments (MiFID II), which will apply as from January 2018, must be suitably planned.

We set out below the main weaknesses and matters requiring improvement detected in the course of the review. Highlights included issues relating to the description and supporting documents of analysis conducted by entities for selecting intermediaries and execution venues to which orders are transmitted.

Description and supporting documents of analysis for the purpose of selection of execution venues or intermediaries to which orders are transmitted

Entities providing the execution service must adequately document their analysis of the factors they have taken into account to choose one or more execution

12 Available at https://www.esma.europa.eu/sites/default/files/library/2015/11/2015-494_peer_review_report_on_best_execution_under_mifid_0.pdf

venues. Moreover, entities receiving and transmitting orders must state the grounds of their choice of intermediary or intermediaries to which the orders are transmitted, and must produce supporting documents for their assessment.

That assessment must have special regard to the fees and costs associated with each execution venue and make a judgement as to which venue leads to the best results in terms of “total consideration” (price of the financial instrument and costs) for retail clients. The conclusions of the assessment need not prompt the entity to connect to more than one execution venue or to use a given venue regularly, provided that such decisions are based on properly explained grounds. Brokerage fees that unfairly discriminate between venues must not be charged.

If an entity systematically executes or channels trades for certain clients and not others in certain execution venues or with certain intermediaries, it must be in a position to provide documented and sufficiently accurate grounds for that approach.

Commission Delegated Directive (EU) 2017/593, of 7 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits provides, in Article 13, the conditions to be satisfied as to inducements in relation to research, and this service must be regarded as independent from the execution or brokerage service. Those conditions require that, from 1 January 2018, clients be charged for research costs separately.

It must be noted that current rules already impose an obligation regularly to review the effectiveness of the order execution policy. Entities must be in a position to provide documentary evidence of having conducted such regular reviews.

If a portfolio management service is provided, similar requirements must be satisfied in the selection of eligible intermediaries.

Other detected incidents

- Proof that orders have been executed in accordance with the approved policy. Entities must be in a position to prove to their clients, upon request, that they have executed their orders in accordance with their execution policy.
- Specific content for retail clients. Entities’ applied policies must specify that the test of best execution for retail clients is total consideration (price of the financial instrument and costs).

This rule also applies if a market member entity is selected by an intermediary that receives orders from its retail clients. The selected entity must have in place a best execution policy as if it were receiving orders directly from end retail clients.

- Provision of information in a durable medium. When the best execution policy is available over the web, entities must be in a position to prove their having obtained consent to that form of providing the information to all their clients (article 3(2) of Royal Decree 217/2008).
- Transparency: consents and warnings. Some entities warn that their execution policy does not apply if a trade is concluded facing the entity's proprietary portfolio, quoting a price which the client may accept or reject (bilateral trading).

MiFID II addresses and clarifies this issue in Commission Delegated Regulation (EU) 2017/565,¹ in Recitals 103 and 104 and Article 64(4), taking the approach that proprietary trading facing clients must be compliant with best execution obligations. Specifically, Recital 104 points out that the entity must “check whether the OTC price offered for a client is fair and delivers on the best execution obligation”.

In addition, entities' procedures must set out the duty to obtain from the client prior and express consent to execute orders outside regulated markets or multilateral trading facilities if the best execution policy states that some services may be provided outside such venues. Such consent may be obtained generally or for each specific transaction.

Finally, entities must be able to prove adequately that the client is warned that, if he/she gives a specific instruction, the best execution policy may not apply. The legislation creates this obligation generally, and, for retail clients, Article 78(2)(c) of Royal Decree 217/2008 requires a clear and visible warning that any specific instructions from a client may prevent the entity from taking steps under its execution policy to obtain the best possible result.

¹ Commission Delegated Regulation (EU) 2017/565, of 25 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

3 Trading structure at BME and at its main competitors

As indicated earlier, the main platforms competing with BME in trading in securities admitted to trading on the Spanish exchanges are BATS-Europe, Chi-X and Turquoise. This section briefly describes the structure of equities trading subject to the rules for regulated markets and MTFs under MiFID I on these platforms.

3.1 Continuous market (BME)

BME has concentrated trading in the most liquid securities admitted to trading on the four Spanish stock exchanges in the continuous market. Trading is conducted

via a single order book, with real-time reporting of bid and offer prices and executed trades. It is structured sequentially into three phases: an opening auction to determine the opening price for the session; continuous trading proper (open market); and a closing auction to determine the closing price of the session. The continuous market also allows for reporting large trades concluded bilaterally during the session (block trade market) or after the session (special transactions). These trading modes are described in more detail below:

- Opening and closing auctions (partly visible order book): These auctions are used to set the opening and closing prices of securities admitted to trading. The opening auction is conducted from 8:30 to 9:00 and the closing auction is conducted from 17:30 to 17:35.¹³ During the auction, market members enter orders in the system to determine the equilibrium price at which trades will be executed. The order book is only partly visible, showing the auction equilibrium price, buy and sell sizes tradable at that price, and the number of orders attaching to those sizes.
- Open market (continuous trading at the highest standard of transparency): Continuous execution of orders entered by operators in the book from 9:00 to 17:30, following the execution protocol based on the binomial term price/time of order entry. Trading is subject to the highest standards of pre-trade and post-trade transparency under MiFID I for regulated markets.
- Block trades and special transactions (without pre-trade transparency): As indicated earlier, these trading modes allow for reporting large trades concluded bilaterally without orders being previously entered in the order book. Any contribution made by these transactions to price formation takes place after they have been completed and reported. Although not subject to pre-trade transparency, these are regulated market transactions for all purposes which must be reported after completion, either in real time (“real-time on-exchange reported”) or after a delay determined by the rules (“delayed on-exchange reported”).

Within block trading, which can be reported during the open trading session (from 9:00 to 17:30), two sub-modes can be distinguished:

- Agreed block trades: This allows for reporting transactions with a variation of $\pm 1\%$ with respect to the midpoint of the range between the best bid position and the best offer position in the order book. The cash amount of the transaction must reach a threshold specified on the basis of average daily turnover of the share for the last calendar year (see Table 2).
- Parametrised block trades: This allows for reporting transactions with a deviation of $\pm 15\%$ with respect to the static price of the share¹⁴ and of a cash size exceeding 500,000 euros and 5% of average daily turnover for the share in the last calendar quarter.

13 To help prevent price manipulation, both the exact close of the opening auction and the exact start and duration of the closing auction are set at random.

14 Price set by the opening auction for the session or a subsequent volatility auction.

As to special transactions, this market segment is open from the close of general trading to 20:00, and allows for trading shares with counterparties determined beforehand. Two types of special transactions exist, based on size and price:

- Reported special transactions: This allows for reporting transactions of a cash size exceeding 300,000 euros and 20% of average daily turnover in the last calendar quarter for the share in question. The price may not differ by more than 5% from the closing price and the weighted average price.
- Authorised special transactions: These transactions must be approved by the Comisión de Contratación y Supervisión del Mercado (market trading and supervision committee). The cash size of the trade must exceed 1,500,000 euros and 40% of average daily turnover in the last natural calendar for the share in question.

As to types of orders allowed on the market, there are three different types on the basis of price: limit orders, market orders and peg best orders. A special type of order is also available, called a “hidden volume” order (iceberg order), where only the portion of the order being traded is visible to the market.

3.2 BATS-Europe and Chi-X

As stated earlier, BATS-Europe and Chi-X are operated by the same entity (Europe’s largest by market share of equities trading), function as separate trading venues and, although they were originally MTFs, are now regulated markets. These markets provide access to trading about 4,500 equity securities in 15 European countries.

On both platforms, shares can be traded in two distinct electronic order books: one of them is subject to pre-trade transparency (lit order book), the other is not (dark order book). However, the former allows both various types of visible orders¹⁵ and hidden limit orders, which must satisfy MiFID I criteria for large-in-scale trades when appropriate, and receive lower time priority for execution in that book. It also allows orders the execution of which can be pegged in various ways to the range bounded by the best bid and offer prices for the share in the regulated market of origin (primary best bid and offer or PBBO), known as “peg orders”. Peg orders can be visible or hidden.

Trading in the lit order book formally involves two auctions, an opening auction (from 8:50 to 9:00, Spanish time) and a closing auction (from 17:30 to 17:35), but the data show that there is barely any activity in these phases and operators prefer to channel their orders towards the auctions of the reference regulated market, in this case, the BME continuous market. The bulk of trading in this book takes place in the open market phase, which is operational from 9:00 to 17:30 (the same timetable as the continuous market).

15 There are several types of limit orders, including market orders executed within a price range of 1% with respect to the best bid or offer, as applicable, obtained from the consolidated data for the European market, and post only orders, which are designed for market-making and cannot detract from liquidity.

The dark order book is specifically designed to minimise pre-trade information on orders entered in it: only orders eligible for a pared-down pre-trade transparency regime are matched in this book. The dark order book only allows midpoint-PBBO orders, i.e., orders that are executed at the average price of the best positions available for purchase and sale in the largest regulated market for the given security.

BATS-Europe and Chi-X both offer the possibility of trading in both order books, lit and dark, with a single order (interbook order types). Moreover, alongside these two order books, these venues allow large trades in European shares through a specific platform operated by BATS called LIS Block, without disclosure to the market of an indication of interest in the trade. Transactions concluded via this platform are reported in real time as regulated market trades outside the two order books.

3.3 Turquoise

As stated on its website,¹⁶ this MTF allows trading in 4,300 European securities in 19 European markets, including the Spanish market.

Like BATS-Europe and Chi-X, Turquoise has two separate order books: a lit book (Turquoise Integrated Lit Book) and a dark book (Turquoise Plato). The lit book allows – together with various types of limit order that are visible to other participants – hidden volume orders that, based on their size, may be eligible for pre-trade transparency exemptions. The dark order book only allows peg orders that are executable at the average price of the best bid and offer positions in the largest regulated market for the given security.

No opening or closing auction is conducted in the lit order book. Trading concentrates exclusively in the continuous trading open session, the timetable of which – as for BATS-Europe and Chi-X – is the same as for the BME continuous market.

4 Recent performance of market shares in the trading of securities admitted to trading on the BME continuous market

The impact of foreign platforms on trading in Spanish securities subject to market or MTF rules under MiFID I has been relatively slight until recently. As shown in Figure 1, foreign platforms' share only clearly exceeded 10% from 2013 onwards,¹⁷ whereas for securities admitted to trading on other leading European regulated markets it was by then already far greater. Subsequent development, however, as shown in Table 3, shows an almost unbroken rise in that market share. In May 2017, trading processed by BME accounted for 62.2% of the total, almost 35 percentage points less than in 2012.

16 <http://www.lseg.com/areas-expertise/our-markets/turquoise>.

17 In 2012, this market share still fluctuated from 3% to 7%.

Percentage of total

%	BME	Chi-X	BATS-Europe	Turquoise	London Stock		Other
					Exchange		
Dec-13	86.3	7.6	1.7	1.1	2.2		1.1
Dec-14	77.4	9.9	1.6	3.3	6.4		1.4
Dec-15	72.5	11.7	4.4	3.5	6.6		1.3
Jan-16	73.2	11.9	3.7	4.1	5.7		1.4
Mar-16	69.3	11.8	4.6	6.1	6.5		1.6
Jun-16	67.3	13.5	5.8	6.3	5.3		1.9
Sep-16	59.3	15.0	5.6	7.9	10.1		2.2
Dec-16	64.1	11.6	5.4	5.6	11.3		2.1
Jan-17	64.6	10.0	4.2	4.7	14.5		2.0
Mar-17	59.4	13.1	7.1	5.8	11.9		2.8
May-17	62.2	11.4	5.4	4.3	14.4		2.3

Source: Reuters and CNMV.

As we shall see, BME's market share is now at levels similar to those of other regulated markets as to trading in the open market of the lit segment, where it competes especially with the BATS-Europe group platforms and with Turquoise. Moreover, its share of the dark segment has decreased, almost exclusively to the gain of the London Stock Exchange, although it continues to be far higher than that of other leading European stock exchanges, such as the French or German exchanges.

Table 3 shows a considerable decrease in BME's market share of trading in 2016, which was more intense from March to September, when there was set in motion the first phase of the reform of Spain's securities clearing, settlement and registry system. The special features that had until then been hallmarks of the Spanish system have often been pointed out as one of the main reasons for the delay in penetration by foreign platforms in the trading of Spanish securities when compared with other leading European stock exchanges. The available data suggest that the Spanish system's convergence with European standards has facilitated trading in other regulated markets and MTFs.

In 2010 there already arose a major change in system features when Iberclear's Regulation was modified by Order EHA/2054/2010, of 26 May 2010,¹⁸ which facilitated trading in Spanish securities outside organised exchanges. Modification of its Regulation enabled Iberclear to settle securities transactions directly without need of such transactions having been formally entered into on the Spanish stock exchanges. It also enabled Iberclear to create operational ties with other central securities depositories. These measures undoubtedly encouraged an increase in trading in Spanish securities at other European execution venues.

18 Order EHA/2054/2010, of 26 May, adopting a modification to the Regulation of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores ("Iberclear"), adopted on the Order ECO/689/2003, of 27 March.

The first stage of the reform of the securities clearing, settlement and registry system, which began on 26 April 2016, also involves far-reaching measures that support standardisation of the Spanish system within the European framework. Specifically, it involves abandoning the settlement procedure based on “registration references”, whereby an identifying code was assigned to the acquirer, the ground of the transaction and its date, in favour of a settlement system based on balances. After the disappearance of registration references, the Spanish securities registry system continues to be structured into two tiers (two-tier system) and, so as properly to manage both levels, a tool has been created – an information system known as a PTI (post-trading interface) – that records the data on transactions, events and book entries that give rise to changes in each participant’s securities balances.

The system based on registration references, which had been in effect since 1992, made transactions traceable and equipped the system as a whole with considerable robustness. However, it entailed higher complexity for investors with a pan-European outlook in comparison with balance-based settlement, which is the international standard. The IT systems of non-resident financial intermediaries had to be adapted to the specific features of the Spanish system. Moreover, proper management of back-office operations required staff to have specific knowledge of the Spanish system. After the reform was set in motion, the Spanish settlement mechanism is aligned with the standards of our peer countries, reduces duplication and enhances cost efficiency for trading in Spanish securities.

Trading in Spanish securities on BME’s competing platforms focuses especially on Ibex 35 securities, which are the most liquid and attract the most interest among investors. Ibex 35 securities account for more than 95% of total trading in the BME continuous market, and more than 99% of trading in Spanish securities in the rest of European execution venues.

Using data supplied by Reuters, throughout the rest of this section we examine the change over time in market shares in trading, considering the lit and dark segments separately. That change over time will be examined not only with reference to trading subject to the rules of regulated markets or MTFs, but also with reference to OTC trading reported to these execution venues. In all segments, we compare the performance of the market share of BME with that of the leading regulated markets in relation to securities admitted to trading on each one.

4.1 Lit trading

As mentioned earlier, opening and closing auctions attract insignificant trading volume at the execution venues that compete with BME in the trading of Spanish securities. Hence competition in the lit segment focuses on open trading during the session, which takes place on the same timetable at all venues. As shown in Table 4, BME’s share of this segment has decreased by almost 20 points since December 2013, and in May 2017 stood at 54.6%. Looking at the most recent developments, we see that in 2016 there was a fairly intense decrease until September, which may correlate with the start of the reform of the clearing, settlement and registry system. Although in the closing quarter of the year BME’s share returned to a level similar to that of the previous year-end, it again declined in 2017, down to the level referred to above in May.

Lit trading in Spanish equities (excluding opening and closing auctions at BME)

TABLE 4

Percentage of total

	BME	Chi-X	BATS-Europe	Turquoise	Milan exchange	Other
Dec-13	74.3	18.6	2.6	2.6	1.6	0.4
Dec-14	69.1	20.6	1.9	6.7	1.4	0.2
Dec-15	60.4	25.3	4.9	7.3	1.6	0.4
Jan-16	59.0	25.7	4.5	8.6	1.9	0.4
Mar-16	59.0	22.4	4.9	11.4	1.9	0.5
Jun-16	57.2	23.1	6.3	10.8	2.0	0.7
Sep-16	54.3	24.5	5.6	13.1	1.6	0.9
Dec-16	60.5	21.5	4.9	10.5	1.2	1.3
Jan-17	57.9	22.6	5.8	10.6	1.8	1.4
Mar-17	56.7	23.0	7.4	9.8	1.7	1.5
May-17	54.6	25.5	7.6	9.3	1.7	1.4

Source: Reuters and CNMV.

Table 5 shows that BME's market share of lit trading in Spanish securities admitted to trading is currently at levels similar to those of the operators of the leading European regulated markets in their own listed securities, except the Italian market. In fact, BME's share in May 2017 was lower than that of the regulated markets of France and Germany, and slightly higher (less than two percentage points) than that of the London Stock Exchange. The Italian and Portuguese exchanges have retained far greater market shares than the Spanish exchange. So, although the process of fragmentation of trading has started later, the data suggest that BME has already converged towards the market shares of trading in the lit segment of the leading regulated markets. As shown in Table 5, these market shares have held relatively stable over the past few years.

Table 4 shows that competition in lit trading of securities admitted to trading on BME is concentrated in the execution venues authorised in the United Kingdom. Chi-X is the operator with the greatest market share, exceeding 25%. That percentage exceeds 33% if the BATS-Europe group is considered as a whole. Turquoise is also a contender, with a market share close to 9%, but which exceeded 13% in September 2016. The London Stock Exchange has a small market share, and that of other operators can be regarded as marginal. The BATS-Europe group also holds a leading position as an operator in lit trading of equities if we consider the European market as a whole, i.e., all securities admitted to trading on European regulated markets (25% of the total).

Lit trading in European regulated markets (excluding opening and closing auctions)¹

TABLE 5

Percentage of total

	BME	London Stock Exchange	Euronext-Paris	XETRA-Frankfurt	Milan exchange	Euronext-Lisbon
Dec-13	74.3	48.2	58.3	63.3	78.7	76.8
Dec-14	69.1	49.0	56.5	58.0	76.7	70.6
Dec-15	60.4	46.5	56.1	54.6	69.0	65.0
Jan-16	59.0	45.6	55.2	55.0	69.7	66.7
Mar-16	59.0	45.3	54.0	54.2	72.5	65.9
Jun-16	57.2	45.8	55.7	52.3	72.3	62.1
Sep-16	54.3	45.9	54.0	54.2	73.2	58.4
Dec-16	60.5	49.6	57.3	59.3	79.4	61.0
Jan-17	57.9	51.5	54.9	58.9	77.7	64.0
Mar-17	56.7	53.1	54.2	58.2	73.9	63.5
May-17	54.6	52.7	57.4	58.1	71.1	67.1

Source: Reuters and CNMV.

1 Market share of trading in securities admitted to trading on each regulated market.

Lit trading in Spanish equities (including opening and closing auctions at BME)

TABLE 6

Percentage of total

	BME	Chi-X	BATS-Europe	Turquoise	London Stock Exchange	Other
Dec-13	82.2	12.6	1.7	1.7	1.5	0.3
Dec-14	76.9	15.2	1.4	4.9	1.3	0.2
Dec-15	72.2	17.5	3.4	5.1	1.4	0.4
Jan-16	70.1	18.5	3.2	6.2	1.7	0.3
Mar-16	70.1	16.1	3.5	8.2	1.7	0.4
Jun-16	66.7	17.8	4.8	8.3	1.9	0.6
Sep-16	63.8	19.2	4.4	10.2	1.6	0.8
Dec-16	69.6	16.4	3.7	8.0	1.2	1.1
Jan-17	66.9	17.5	4.5	8.3	1.7	1.1
Mar-17	66.2	17.7	5.7	7.6	1.7	1.2
May-17	65.2	19.3	5.7	7.0	1.7	1.1

Source: Reuters and CNMV.

If for BME we include the volume traded in the course of its opening and closing auctions, its share of the lit segment in May 2017 increases by close to 11 percentage points to 65.2%. This data point makes clear that these auctions – the closing auction especially, which is the largest as to volume – are one of BME's key strengths in the current competitive framework, because at competing venues the auctions are neither not conducted at all or do not attract any significant trading volume. The weight of auctions in total trading in the continuous market has increased significantly over the past few years, reaching about 23% of the total in 2016 (see Figure 2).

Volume traded at opening and closing auctions at BME

FIGURE 2



Source: CNMV.

4.2 Dark trading

As shown by Table 7, over the past few years there has also been a powerful shift in agreed block trading and special transactions from BME to other execution venues, especially the London Stock Exchange. BME's market share of the dark trading segment in May 2017 stood at 60.9%, meaning a decline of 35 percentage points since December 2013. Looking at the most recent performance of market share, its decline since the setting in motion of the first stage of the reform of the securities clearing, settlement and registry system has been more intense than in the lit segment (almost 16 points since the first quarter of 2016), going as low as 54.4% in the first quarter of 2017.

Dark trading in Spanish equities subject to regulated market and MTF rules

TABLE 7

Percentage of total

	BME	Chi-X	BATS-Europe	Turquoise	London Stock Exchange	Other
Dec-13	95.9	0.0	0.9	0.0	3.2	0.0
Dec-14	83.9	0.0	0.8	0.0	15.3	0.0
Dec-15	79.3	0.0	4.4	0.0	16.3	0.0
Jan-16	84.5	0.0	2.8	0.0	12.7	0.0
Mar-16	76.6	0.0	5.2	0.0	18.2	0.0
Jun-16	78.8	0.0	6.7	0.0	14.5	0.0
Sep-16	57.6	0.0	7.5	0.0	34.9	0.0
Dec-16	61.3	0.0	7.5	0.0	31.1	0.0
Jan-17	67.1	0.0	3.2	0.0	29.7	0.0
Mar-17	54.4	0.0	9.4	0.0	36.1	0.0
May-17	60.9	0.2	6.6	0.0	32.3	0.0

Source: CNMV, based on data supplied by Reuters.

In comparison with other regulated markets, BME retains a proportion of dark trading far above that of the French and German exchanges, which are now at low (12.6%, France) or very low levels (4.1%, Germany). However, it is lower than the market shares of the London Stock Exchange and the Milan exchange (see Table 8).

Dark trading in European regulated markets¹

TABLE 8

Percentage of total

	BME	London Stock Exchange	Euronext-Paris	German exchanges ²	Milan exchange	Euronext-Lisbon
Dec-13	95.9	41.6	38.5	21.9	84.6	30.0
Dec-14	83.9	61.3	49.2	16.1	75.7	11.3
Dec-15	79.3	49.3	41.7	15.7	62.7	0.9
Jan-16	84.5	49.2	45.3	15.7	74.2	0.3
Mar-16	76.6	52.0	39.9	12.4	67.5	7.0
Jun-16	78.8	53.5	26.9	11.7	66.6	1.2
Sep-16	57.6	70.7	16.4	5.8	71.3	0.7
Dec-16	61.3	66.4	20.2	7.1	62.1	2.2
Jan-17	67.1	64.8	16.7	7.8	71.6	0.5
Mar-17	54.4	66.0	15.9	5.5	66.9	0.3
May-17	60.9	68.0	12.6	4.1	65.2	0.3

Source: Reuters and CNMV.

1 Market share of trading in securities admitted to trading on each regulated market.

2 The data for Germany reflect total agreed block trading for all German regional exchanges.

Unlike the lit segment, competition in the dark segment does not concentrate in the new platforms (BATS-Europe group and Turquoise) but in another regulated market, the London Stock Exchange, which has also absorbed most of the trades migrating from the German and French exchanges (it accounts for 70% to 80% of external European trading in the dark segment for securities admitted to trading on those exchanges).

Block trading and special transactions account for a significant portion of trading on regulated markets. Specifically, at BME it represents more than a third of total trading.¹⁹ It is therefore a highly attractive segment for the various platforms that compete for trading volume. A hallmark of this segment is the large size of trades and exemption from the pre-trade transparency requirements under MiFID I. It is accordingly especially attractive for institutional investors and portfolio managers in general. Recent developments and the present level of market share of trading of the French and German exchanges suggest that the Spanish exchange will continue to be exposed to intense competition in this segment.

19 In 2016, block trading and special transactions accounted for 34.5% of total trading at BME.

4.3 Total trading

Finally, we shall look at total trading reported by the various execution venues, both in accordance with MiFID I rules and as OTC. Many regulated markets and MTFs, in addition to their MiFID-regulated trading activity, manage systems intended to support OTC trading and reporting, and this is a segment in which other types of operator also compete (BOAT, UBS MTF, Posit, Liquidnet, SIGMA-X, Instinet Block-match, Smartpool, etc.).

OTC trading is a leading segment in terms of equities trading volume. According to Reuters, in April 2017 OTC trading accounted for 40.7% of total European equities trading. By countries, in Germany it accounted for 47.1%, in France for 45.5%, in the United Kingdom for 41.7%, in Portugal 31.5% and in Italy 12%. The percentage for Spain was 30.4%.

As shown in Table 9, when OTC trading is taken into account, BME's market share is significantly smaller in relation to its share of trading subject to regulated market or MTF rules (see Table 3). Specifically, in May 2017 BME's share of total trading stood at 40.5%, almost 22 percentage points less than that for transactions subject to MiFID rules. The difference between the two market shares has been wide for some time: in 2013 it was already approaching 27 percentage points.

The pattern seen in the most recent developments is similar to that for MiFID-regulated trading, although with a somewhat more intense decline between the first quarter of 2016 and May 2017, which suggests a somewhat higher impact of the start of the reform of settlement procedures on OTC trades.

Trading in Spanish securities subject to regulated market or MTF rules, plus OTC-reported trading

TABLE 9

Percentage of total

	BME	Chi-X	BATS- Europe	BATS- OTC	Turquoise	London Stock Exchange	BOAT	Euronext	Other
Dec-13	59.5	5.3	1.2	12.6	0.7	11.6	6.8	1.0	1.2
Dec-14	59.5	7.6	1.2	15.8	2.5	6.0	5.3	0.5	1.7
Dec-15	49.9	8.1	3.0	18.6	2.4	6.5	7.5	1.9	2.1
Jan-16	49.6	8.1	2.5	16.7	2.8	6.3	7.0	5.4	1.6
Mar-16	48.4	8.3	3.2	18.4	4.3	5.8	4.7	5.5	1.6
Jun-16	45.2	9.0	3.9	18.5	4.2	3.7	6.3	7.4	1.8
Sep-16	44.1	11.2	4.2	17.9	5.9	7.5	2.4	4.6	2.3
Dec-16	48.3	8.7	4.1	16.4	4.2	8.7	2.5	4.9	2.1
Jan-17	47.8	7.4	3.1	14.8	3.5	11.2	5.0	4.8	2.4
Mar-17	44.0	9.7	5.2	15.6	4.3	8.9	3.6	6.3	2.4
May-17	40.5	7.4	3.5	18.5	2.8	9.5	9.0	6.7	2.0

Source: Reuters and CNMV.

Taken together, the BATS group platforms approach 30% of total trading in Spanish equities. This group includes, together with BATS-Europe and Chi-X, the specialised platform BATS-OTC, which alone accounted for 18.5% of total trading. They are followed in importance by the LSE group (London Stock Exchange and Turquoise), which accounts for over 12%, and the operator BOAT Service, a member of the Swedish Cinnober group, with 9%. Another significant competitor is Euronext Paris, whose relative weight in the trading of Spanish securities subject to regulated market rules is insignificant, but which represents 6.7% of total trading when the OTC segment is included.

Table 10 shows that, despite having withstood a significant decline, BME's market share of total trading remains above that of the leading European exchanges, except the Italian exchange. This fact, coupled with the large weight of OTC trading in total trading, suggests that competition for capture of trading in Spanish securities will continue to be intense in this segment also.

Equities trading in European regulated markets (trading subject to regulated market rules plus OTC-reported trading)¹

TABLE 10

Percentage of total

	BME	London Stock Exchange	Euronext-Paris	XETRA-Frankfurt	Milan exchange	Euronext-Lisbon
Dec-13	59.5	34.2	40.7	38.6	68.0	56.9
Dec-14	59.5	33.6	39.4	35.7	68.6	45.4
Dec-15	49.9	34.3	34.8	34.0	57.4	40.7
Jan-16	49.6	32.6	39.8	32.6	59.0	43.0
Mar-16	48.4	31.4	39.6	30.9	59.9	52.6
Jun-16	45.2	32.1	38.5	30.8	56.4	38.2
Sep-16	44.1	33.6	37.9	32.3	57.7	39.5
Dec-16	48.3	36.6	41.2	33.7	62.3	38.5
Jan-17	47.8	41.0	39.3	32.5	62.6	42.2
Mar-17	44.0	38.7	39.2	31.5	60.1	42.1
May-17	40.5	38.1	35.6	21.0	55.7	32.7

Source: Reuters and CNMV.

¹ Market share of trading in securities admitted to trading on each regulated market.

5 Factors encouraging the shift in trading venue

Competition among European trading venues has led to a gradual fragmentation in trading. Factors that might explain the loss of market share of the Spanish regulated market in favour of other execution venues include:

– Fee structure

The fee structures of regulated markets and those of the various European trading venues are not easily comparable; however, a preliminary analysis supports the following broad insights:

- European exchanges charge slightly higher fees than alternative trading venues (Chi-X, BATS and Turquoise). Moreover, the prices applied by the alternative trading venues vary depending on whether an order is aggressive or passive – in the latter case, a discount is sometimes applied.
- BME's fees are higher than those of its main competitors. Whereas BME's fees range from 0.3 basis points (bp) to 2.4 bp, those charged by Chi-X range from -0.24 bp to 0.30 bp, those for BATS from 0.0 bp to 0.30 bp and those for Turquoise from -0.26 bp to 0.30 bp. BME's fees also exceed the fees charged by the London Stock Exchange (from 0.20 to 0.45), the German exchange (0.36-0.414) and Euronext (0.45-0.95). BME also includes a fixed component, which considerably increases the fee.

Compared with its competitors, BME's fee model displays a number of drawbacks which have drawn criticism from the financial industry. Those drawbacks include:

- The model is insufficiently predictable: it is only possible to know the fees charged with certainty after the order entered in the system has been executed and the itemisation of resulting executions is disclosed. This unpredictability makes it harder for brokers to negotiate fees with their clients while enabling them to maintain stable margins. It also affects compliance with the best execution principle, because investment firms must take fees into account for the purposes of comparing total consideration (price of the financial instrument and costs incurred).
 - The fixed component of the fee structure, which is non-existent in other markets, considerably raises the total cost of executed orders, especially for retail clients.
- **Use of execution venues as a single entry point to the different European markets**

The execution venues that most successfully compete today with conventional markets in the trading of equities were designed to facilitate transactions for investors with a pan-European outlook. Technology enables large investors and intermediaries to use these execution venues as a single entry point to the different European regulated markets and MTFs. This lowers the costs of trading and of back-office operations. The advantages are enhanced further if the execution venue is located in a city where the investor or intermediary can benefit from economies of scale and significant agglomeration of the financial industry and its development, as is the case in London.

- **Easier to trade in less transparent segments**

Portfolio managers increasingly prefer to trade in segments that are opaque or carry reduced transparency requirements, especially where trades are large in scale. Trading platforms, systematic internalisers and investment firms that act as brokers or counterparties on the OTC market have met this demand by providing relatively simple access to this type of trading. As we have said,

a substantial portion of trading in Spanish securities is concluded in other countries, both in the dark segments subject to MiFID rules and, above all, the OTC market.

– **Other factors**

It is to be borne in mind that a significant proportion of trading is carried out by large institutional investors who conclude transactions at a price fixed beforehand with a broker able to trade with different financial intermediaries, who in turn are members of different platforms. In cases such as this, the fees charged by the various platforms may not be the only determinant of the choice of trading venue. Other considerations may be present, such as speed of execution, the possibility of trading securities listed in different countries, etc.

6 New developments in European regulations (MiFID II and MiFIR)

6.1 Execution venues and systems

The impact of the recent financial crisis, coupled with new technological developments, has prompted European regulators to introduce a range of legislative changes to enhance investor protection, raise transparency in the markets, reinforce supervision, adapt to technological change and shore up financial stability. As pointed out earlier, the outcome is a new regulatory framework for markets in financial instruments in Europe, which will be based on the MiFID II Directive and the MiFIR Regulation, the application of which will commence in January 2018.

MiFID II is intended to reinforce current European legislation on securities markets in several ways, including:

- Attracting trading towards environments subject to organised and transparent trading, i.e., from the OTC realm to execution venues.
- New rules are introduced on algorithmic and high-frequency trading.
- The new framework is designed to enhance transparency in price formation and transaction negotiation, while preserving competitive conditions to lower costs and reinforce investor protection.

In the field of market structure, the new regulations introduce major changes for trading venues. It creates organised trading facilities (OTFs), where fixed-income and derivatives will be tradable, but not shares.²⁰ The new framework also introduces the possibility that an investment firm be required to qualify as a systematic in-

20 OTFs are designed to be execution venues for instruments other than shares, bringing together clients' purchase and sale interests, which may be operated by a regulated market or an investment firm in accordance with discretionary rules.

ternaliser in certain circumstances, whereas under the present Directive taking on that status is left to the entity's own discretion.

One of the key new developments is the requirement that all facilities that support multilateral trading be subject to the provisions applicable to trading venues. Hence this activity will require authorisation of the facility as a regulated market, multilateral trading facility or organised trading facility, and may only be carried on at those execution venues. This stricter approach to multilateral trading may have a significant impact on trading systems currently within the OTC realm, in which multiple agents may interact with one another as buyers or sellers. Under the new regulations, it is presumed that in these cases the system is multilateral and must accordingly request authorisation to operate as a regulated market, MTF or OTF.

In fact, MiFID II and MiFIR significantly restrict OTC trading in equities, because they make it compulsory that trading in shares admitted to trading on a regulated market or traded in a trading venue take place on a regulated market, an MTF, a systematic internaliser or a trading venue in a third country qualifying as equivalent in terms of regulation, unless the transaction is non-systematic, *ad hoc*, unusual or infrequent or is entered into between professionals or eligible counterparties and does not contribute to price formation.

The new regulations are designed to redirect a large proportion of OTC trading towards systematic internalisers and to enhance the transparency of trades concluded through these intermediaries. Investment firms may continue to become voluntarily subject to the regime of obligations governing systematic internalisers, but, as pointed out earlier, the competent authority may also require that they adopt that status compulsorily, depending on the volume and frequency of OTC trades concluded on their own account. As to the transparency regime, systematic internalisers will be required to publicly disclose their firm quotes both for shares and other financial instruments if there is a liquid market for those securities.

Given all this, it is to be expected that OTC trading in equities will significantly decline, and many agents that now operate in that domain will in future go through systematic internalisers or the dark segments of regulated markets and MTFs.

6.2 Transparency regime

As discussed earlier, the present regulatory framework, as specified in MiFID I, only sets transparency rules in the domain of shares, and leaves it to the competent national authorities whether or not to extend those rules to other financial instruments. Moreover, within equities, the less transparent trading systems (dark segments of trading subject to regulated market or MTF rules, and OTC trading) have become increasingly significant as a proportion of traded volumes.

The new regulatory framework generally beefs up pre-trade and post-trade transparency obligations. First, the scope of transparency obligations is widened to embrace transactions with financial instruments other than shares. Secondly, in the equities domain, trading transparency is reinforced through systematic internalisers, as discussed earlier, and more stringent limits are placed on the application of exemptions

from pre-trade transparency requirements for transactions subject to market rules. In addition, MiFIR will require public disclosure of transactions in the OTC realm, and investment firms trading in that domain must discharge this obligation through approved publication arrangements.

In relation to markets in securities other than shares, transparency obligations will affect bonds and debentures, securitisations, issue rights and derivatives. Pre-trade transparency rules are calibrated for the different trading systems, and a regime of exemptions is introduced for three modes: i) orders that are large in scale or awaiting publication in order management systems, ii) actionable indications of interest in request-for-quote and voice trading systems that are above a specific size, and iii) instruments that do not have a liquid market. As to post-trade transparency, it is required that disclosure be given effect as soon as practicable after the transaction is completed, although competent authorities may authorise a delay in some circumstances.

In the specific domain of equities, MiFID II and MiFIR extend the transparency regime in place for shares to other equity instruments, in particular, exchange-traded funds. A regime of exemptions to pre-trade transparency rules is preserved, and takes the form of four modes: i) exemptions for systems that match reference price trades, ii) systems that support pre-agreed or negotiated trades, iii) large in scale orders, and iv) orders awaiting publication entered through order management systems (such as iceberg orders and hidden volume orders). However, exemptions i) and ii) are subject to more stringent rules than under MiFID I. Hence, transactions that rely on these exemptions for a given instrument may not exceed a double volume cap: for a given trading venue, 4% of turnover in that instrument at that venue; and, in the aggregate, 8% of total turnover traded at all execution venues combined. As to post-trade transparency, the price, volume and time of execution must be publicly disclosed as soon as practicable after the transaction is completed, although a delay may be requested having regard to criteria that look to the liquidity of the security, the value of the transaction and the time at which it was concluded.

Transparency requirements, the main purpose of which is to aid correct price formation, are supplemented by measures intended to facilitate investor access to the information arising from trades under reasonable commercial terms and conditions. These considerations are vital in fixed-income and derivative markets, where bilateral trading is widespread and it is often expensive for investors to obtain meaningful information on prices and volumes.

7 Conclusions

Competition among European execution venues within the MiFID regulatory framework has led to marked fragmentation of trading in equities, which formerly concentrated almost exclusively in conventional stock exchanges. Almost 40% of European equities trading subject to regulated market or MTF rules now takes place outside the regulated market on which the securities are admitted to trading. This percentage exceeds 50% in some countries. This process of de-concentration has been coupled with the rising significance of trading via less transparent systems,

including both MiFID-regulated trading through dark segments in regulated markets and MTFs and OTC trading.

Although with some delay with respect to other European exchanges, the Spanish exchanges have also been significantly affected by the migration of trading, especially affecting the most liquid shares on the continuous market. Competition from foreign platforms is intense in both the more transparent segment and in the block trading and special transaction market. In lit trading, BME's share of total trading in the open session for Spanish securities has declined since 2013 by close to 20 percentage points and now stands at around 55%. This percentage, which is in line with the data observed for the leading European regulated markets, except Italy, rises to 65% if volume traded in the BME opening and closing auctions is included. For Spanish securities auctions are only meaningful in volume terms at BME, and hence auctions constitute one of the key strengths of the Spanish market facing its competitors, which in this case are mainly the major new UK platforms (BATS-Europe group and Turquoise).

As to MiFID-regulated trading in dark segments, the market share retained by the continuous market has declined even more sharply since 2013: 35 percentage points, down to 61%. In this case, trading has migrated mostly to another regulated market, the London Stock Exchange, as is the case for the French and German exchanges, whose respective market shares are far lower. Taking account of total trading, including MiFID-regulated trading and OTC-reported trading, BME's market share has also declined significantly, and is now in line with that seen for the leading European exchanges. Therefore, the data suggest that BME's market share is converging with that of the rest of major European regulated markets. In the light of the market shares seen for the French and German exchanges, the segment that is perhaps most exposed to further decline is block trading and special or pre-agreed transactions.

The delay in the impact in Spain of the migratory trend is often ascribed to the special features that until recently characterised the securities clearing, settlement and registry system in comparison with other countries, which involved cost disadvantages for institutional investors and intermediaries pursuing pan-European investment strategies. Since late April last year, the system has functioned in Spain in a manner similar to that of other European markets, and since then there has indeed been a significant acceleration in the decline of BME's market share, although the latest data suggest that this effect is becoming more moderate.

Beyond the enhanced operational possibilities through foreign platforms brought about by the reform of the clearing, settlement and registry system, other factors may have influenced choice of venue for trading in Spanish equities. Among them, the fees applied by execution venues undoubtedly play a significant role. We have pointed out potential drawbacks in BME's fee structure which have been criticised by the financial industry.

Other factors to be borne in mind are the ease of trading through dark segments (we have already pointed out the significance acquired by these segments in recent years) and the convenience of using an execution venue as a single entry point to the major European markets. The platforms that have been most aggressive in capturing trading volume – especially the UK-based venues, including the London

Stock Exchange – pay special attention to these two factors. However, we note that these trading venues have – at least so far – benefited from economies of scale, scope and agglomeration associated with London’s status as an international financial hub, these being advantages which are difficult to replicate by continental competitors.

The new regulatory framework under the MiFID II Directive and the MiFIR Regulation may bring about significant change in equities trading in Europe. Whereas MiFID I was chiefly designed to encourage greater competition, the new framework emphasises transparency, investor protection and financial stability. Its impact may be especially important in MiFID-regulated trading in dark segments, where more stringent requirements are introduced for eligibility for exemptions from pre-trade transparency, and in OTC trading, which is intended to be redirected to a regulated environment, especially towards systematic internalisers, which will in turn be required to comply with higher standards of transparency.

Over the medium term, the future of regulated markets will be shaped by the various operators’ response to the changes introduced by the new regulatory framework. A further key determinant will be the negotiations now ongoing with a view to the United Kingdom’s departure from the European Union. Since a substantial portion of European equities are traded on platforms based in that country, the final terms of Brexit may have a crucial impact on the structure of markets and trading in Europe.

II Legislative annex

New legislation since publication of the CNMV bulletin in April 2017 is as follows:

Spanish legislation

- **Decision of 26 April 2017**, of the CNMV, on delegation of powers.

This Decision, comprising six chapters, delegates to the Chairman, Vice-Chairman and Executive Committee certain powers as to primary and secondary markets, financial and corporate reports, market infrastructure, and pre-emptive resolution of investment services firms, and powers within the domain of the Directorate General of Entities and the Directorate General of the Legal Affairs Unit and the Office of the Secretary to the Board.

The Decision leaves without effect the Decision of 22 December 2016 on delegation of powers.

The Decision became effective on the day of its publication in the *BOE* (Official State Gazette), 5 May 2017.

- **CNMV Circular 1/2017, of 26 April**, on liquidity contracts.

Circular 1/2017 comprises six provisions, a repealing provision, and a final provision. The Standard Form of Liquidity Contract is attached as Annex I.

Adoption of this Circular by the CNMV was preceded by a public consultation on liquidity contracts addressed mainly to issuers, investment services firms, credit institutions, investor associations, the management entities of organised exchanges, and other competent authorities.

Before the public consultation, the CNMV notified ESMA in late 2016 of its intention to treat liquidity contracts as an accepted market practice in accordance with the possibility provided by Article 13 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, of 16 April 2014, on market abuse. The “accepted market practice” concept allows for an exemption from the general prohibition on actual or attempted manipulation of the market if there is a legitimate interest that justifies the transaction. ESMA issued an opinion in which it concluded that the market practice notified by the CNMV is compatible with Article 13 of Regulation (EU) No. 596/2014 and contains a number of mechanisms to limit threats to confidence in the market. The CNMV took account of the ESMA opinion in drafting the Circular.

The main changes with respect to the previous regulation deal mainly with:

- i) A widening of the scope of the market practice to cover multilateral trading facilities.
- ii) The establishment of a threshold associated with the average daily trading volume that can be executed within the scope of the liquidity contract,

which will vary as a function of whether or not the shares to which the contract refers have a liquid market as defined in Article 2(1)(17) of Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments (MiFIR).

- iii) The introduction of a ceiling on resources allocable to a liquidity contract.
- iv) The requirement that the financial intermediary executing the market practice be a market member.
- v) The requirement that the volume of purchases and sales under the liquidity contract balance out over the long term.
- vi) The conditions for entering and amending orders in the auction periods, mainly as to the price and volume of such orders.
- vii) The conditions for performing block trades or other negotiated bilateral trades, arranged in accordance with current law, so that they are only permitted if the order in question is being executed at the request of a third party that is not the issuer of the shares or the financial intermediary acting on its behalf.
- viii) The conditions applicable to the transactions performed under a liquidity contract with shares that are traded by means of the fixing method.
- ix) The cases where performance of the liquidity contract must be suspended.

Specifically, **Provision one** declares transactions concluded under a liquidity contract to be an accepted market practice.

As to the requirements for liquidity contracts, **Provision two** provides as follows:

- i) Regarding the organisational structure of the intermediary, employees in charge of transactions under liquidity contracts with respect to the portfolio management area may not take part in any transaction or other tasks relating to the issuer's securities if they are engaged in managing the proprietary account or in processing third-party orders.
- ii) Remuneration to the financial intermediary must be fixed and not linked to variables.
- iii) The liquidity contract must also establish the necessary mechanisms to avoid potential conflicts of interest between the issuer and the financial intermediary.
- iv) There is an express prohibition on entering into a liquidity contract with more than one financial intermediary.
- v) The financial intermediary must maintain for at least five years a record of all orders entered, including modified or cancelled orders, and must

put in place internal procedures as needed to make that information available to the CNMV.

- vi) New requirements are introduced as to the limits on resources allocated to a liquidity contract, which will vary as a function of whether or not the shares to which the contract refers have a liquid market as defined in Article 2(1)(17) of Regulation (EU) No. 600/2014 of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments (MiFIR). Specifically:
- If the shares under a liquidity contract have a liquid market, the cash and shares contributed to the liquidity contract may not together exceed the amount of cash and shares that the financial intermediary would require if, for 13 trading sessions, it were to either only buy or only sell the maximum daily volume referred to earlier, subject in any event to a cap of 20 million euros.
 - If the shares under a liquidity contract do not have a liquid market, the cash and shares contributed to the liquidity contract may not together exceed at least one of the following limits: i) the amount of cash and shares that the financial intermediary would require if, for 20 stock market sessions, it engaged solely in purchasing or selling, concentrating 25% of the daily average trading volume; or ii) the result of multiplying 1% of the issuer's share capital by the closing price of the share on the day prior to execution of the liquidity contract.

Trading conditions are specified in **Provision three**. The main change is that the financial intermediary is set free to buy or sell by means of block trades or other negotiated bilateral transactions, provided that such trades are entered into on the motion of a third party other than the issuer or the financial intermediary.

The new Circular also sets limits on the financial intermediary's trading activity. The daily trading volume executed by the financial intermediary under the liquidity contract may not exceed:

- i) 15% of the average daily volume traded in the orders market in the 30 previous sessions where the liquidity contract is signed by an issuer whose shares have a liquid market in accordance with MiFIR.
- ii) 25% of the average daily volume traded in the orders market in the 30 previous sessions where the liquidity contract is signed by an issuer whose shares do not have a liquid market in accordance with MiFIR. The Circular provides that the percentage will be determined having regard to the daily trading volume of own shares in all the trading venues used for the purposes of the liquidity contract, including also shares of the issuer traded in block trades or other negotiated bilateral transactions, if on the motion of a third party other than the issuer or the financial intermediary.

As to the conditions that the financial intermediary must satisfy during the auction periods and, especially, the closing auction, the Circular introduces the following changes:

- i) A limit on the cumulative volume of shares entered by the intermediary (must not exceed 10% of the notional volume resulting from the auction at the time of entry of those orders).
- ii) The financial intermediary may not simultaneously have open buy and sell orders for the shares.
- iii) The financial intermediary may not enter “market” orders.
- iv) Buy order prices may not exceed or fall below certain bounds.

The effect of the conditions is extended to transactions concluded by the financial intermediary in fixing auctions. Some special provisions are made for points that clearly were previously unregulated, specifically:

- i) The daily average for the permitted daily trading volume is to be calculated on the basis of the 30 previous sessions in which the share was traded.
- ii) The financial intermediary must enter orders sufficiently in advance of the auction outcome.

Finally, the Circular widens the scope of financial intermediaries’ duty of control to all conditions set out in the text of the Circular (beyond merely the trading conditions), and provides that financial intermediaries must “have the necessary controls and mechanisms to monitor and ensure compliance with the conditions established in this Circular”.

Provision four, on reporting requirements, makes changes to the public reporting duties to be discharged by the issuer of the securities in connection with transactions under the liquidity contract.

As to quarterly public reporting duties relating to transactions under the liquidity contract, certain matters must be disclosed, such as:

- i) Whether the transactions were arranged via block trades or negotiated bilaterally.
- ii) Cash paid and received.
- iii) Average purchase and sale prices.
- iv) Number of trades performed.
- v) Balance of the securities and cash accounts at the end of the reporting period and on signature of the contract.

Among public reporting duties as to termination of liquidity contracts, the issuer must report on the progress of performance of the contract and the reasons for termination. Two new reporting duties are introduced for the issuer, specifically:

- i) In the events of suspension of the liquidity contract under Provision five, the issuer must report the suspension and state the reasons for it.
- ii) The issuer must also disclose the details of purchase and sale transactions executed by the financial intermediary in the events covered by Provision two (sub-paragraphs 7(2) and 7(3) on balance and proportionality of shares and cash and prior acquisition of shares for deposit in the securities account, respectively) within the five trading days following their conclusion. Here the issuer must ensure that the disclosures are available for public consultation for a term of five years from the time of original disclosure.

As to restrictions, as a change in this field **Provision five** introduces an event of suspension of liquidity contract performance relating to public offerings for sale and subscription for the issuer's shares. The Circular clarifies that these events involve "stabilisation operations under Article 5 of Regulation (EU) No. 596/2014, for the duration of the stabilisation and until the date notice is given that stabilisation was performed for the last time or that the green shoe has been exercised."

CNMV Circular 3/2007, of 19 April, on liquidity contracts, is repealed.

The Circular was published in the *BOE* (Official State Gazette) on 10 May 2017, and will enter into force two months after publication.

- **Royal Decree-Law 9/2017, of 26 May**, implementing European Union directives in the financial, commercial and healthcare fields, and on the movement of workers.

In the financial domain, this Royal Decree-Law implements Directive 2013/50/EU, which establishes transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market. The amendment gives the CNMV a power to suspend the exercise of voting rights carried by financial instruments if they were acquired without satisfaction of the relevant duties of disclosure. It also introduces an adaptation to Directive 98/26/EC on settlement finality in payment and securities settlement systems. Title I amends:

- i) Law 41/1999, of 12 November, on securities payment and settlement systems, and, in particular, the definition of finality and irrevocability of transfer orders, such that their determination by systems is aligned with the operating protocols of the pan-European platform TARGET2-Securities, which will be joined by the Spanish central securities depository (Iberclear) in September 2017, and the related effects on posted collateral.

- ii) The recast text of the Securities Market Act (Spanish Acronym: TRLMV), as adopted by Royal Legislative Decree 4/2015, of 23 October, to introduce the interim suspension of the exercise of voting rights carried by purchased shares until compliance is ascertained with the duties of disclosure relating to significant shareholdings (Article 125 of the TRLMV) at the time of commencement or in the course of infringement proceedings.

Royal Decree-Law 9/2017 was published on 27 May 2017 in the *BOE* (Official State Gazette), and entered into force immediately.

- **Royal Decree 531/2017, of 26 May**, implementing the basic organisational structure of the Ministry of Economy, Industry and Competitiveness, amending Royal Decree 424/2016, of 11 November, introducing the basic organisational structure of ministerial departments, and altering the statutes of Department entities that enjoy “own means” status to adapt their names in accordance with Law 40/2015, of 1 October.

Royal Decree 531/2017 was published on 27 May 2017 in the *BOE* (Official State Gazette), and entered into force immediately.

European legislation

- **Regulation (EU) 2017/353 of the European Parliament and of the Council**, of 15 February 2017, replacing Annexes A and B to Regulation (EU) 2015/848 on insolvency proceedings.
- **Corrigendum to Commission Implementing Decision (EU) 2015/1505**, of 8 September 2015, laying down technical specifications and formats relating to trusted lists pursuant to Article 22(5) of Regulation (EU) No. 910/2014 of the European Parliament and of the Council, on electronic identification and trust services for electronic transactions in the internal market (OJ L 235 of 9.9.2015). This Corrigendum was published on 7 March 2017.
- **Corrigendum to Directive 2014/65/EU** of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173 of 12.6.2014). This Corrigendum was published on 10 March 2017.
- **Commission Delegated Regulation (EU) 2017/389**, of 11 November 2016, supplementing Regulation (EU) No. 909/2014 of the European Parliament and of the Council as regards the parameters for the calculation of cash penalties for settlement fails and the operations of CSDs in host Member States. This Regulation was published on 10 March 2017.
- **Commission Delegated Regulation (EU) 2017/390**, of 11 November 2016, supplementing Regulation (EU) No. 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on certain prudential

requirements for central securities depositories and designated credit institutions offering banking-type ancillary services. This Regulation was published on 10 March 2017.

- **Commission Delegated Regulation (EU) 2017/391**, of 11 November 2016, supplementing Regulation (EU) No. 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards further specifying the content of the reporting on internalised settlements. This Regulation was published on 10 March 2017.
- **Commission Implementing Regulation (EU) 2017/393**, of 11 November 2016, laying down implementing technical standards with regard to the templates and procedures for the reporting and transmission of information on internalised settlements in accordance with Regulation (EU) No. 909/2014 of the European Parliament and of the Council. This Regulation was published on 10 March 2017.
- **Commission Implementing Regulation (EU) 2017/394**, of 11 November 2016, laying down implementing technical standards with regard to standard forms, templates and procedures for authorisation, review and evaluation of central securities depositories, for the cooperation between authorities of the home Member State and the host Member State, for the consultation of authorities involved in the authorisation to provide banking-type ancillary services, for access involving central securities depositories, and with regard to the format of the records to be maintained by central securities depositories in accordance with Regulation (EU) No. 909/2014 of the European Parliament and of the Council. This Regulation was published on 10 March 2017.
- **Commission Implementing Regulation (EU) 2017/461**, of 16 March 2017, laying down implementing technical standards with regard to common procedures, forms and templates for the consultation process between the relevant competent authorities for proposed acquisitions of qualifying holdings in credit institutions as referred to in Article 24 of Directive 2013/36/EU of the European Parliament and of the Council. This Regulation was published on 17 March 2017.
- **Corrigendum to Commission Implementing Regulation (EU) 2016/322**, of 10 February 2016, amending Implementing Regulation (EU) No. 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions of the liquidity coverage requirement (OJ L 64 of 10.3.2016). This Correction was published on 17 March 2017.
- **Commission Delegated Regulation (EU) 2017/565**, of 25 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive. This Regulation was published on 31 March 2017.
- **Commission Delegated Regulation (EU) 2017/566**, of 18 May 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards for the ratio of unexecuted orders to transactions in order to prevent

disorderly trading conditions. This Regulation was published on 31 March 2017.

- [Commission Delegated Regulation \(EU\) 2017/567](#), of 18 May 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council with regard to definitions, transparency, portfolio compression and supervisory measures on product intervention and positions. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/568](#), of 24 May 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the admission of financial instruments to trading on regulated markets. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/569](#), of 24 May 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the suspension and removal of financial instruments from trading. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/570](#), of 26 May 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards for the determination of a material market in terms of liquidity in relation to notifications of a temporary halt in trading. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/571](#), of 2 June 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the authorisation, organisational requirements and the publication of transactions for data reporting services providers. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/572](#), of 2 June 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards on the specification of the offering of pre-and post-trade data and the level of disaggregation of data. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/573](#), of 6 June 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on requirements to ensure fair and non-discriminatory co-location services and fee structures. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/575](#), of 8 June 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards

concerning the data to be published by execution venues on the quality of execution of transactions. This Regulation was published on 31 March 2017.

- [Commission Delegated Regulation \(EU\) 2017/576](#), of 8 June 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/577](#), of 13 June 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on the volume cap mechanism and the provision of information for the purposes of transparency and other calculations. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/578](#), of 13 June 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards specifying the requirements on market making agreements and schemes. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/579](#), of 13 June 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on the direct, substantial and foreseeable effect of derivative contracts within the Union and the prevention of the evasion of rules and obligations. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/580](#), of 24 June 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the maintenance of relevant data relating to orders in financial instruments. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/581](#), of 24 June 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards on clearing access in respect of trading venues and central counterparties. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/582](#), of 29 June 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards specifying the obligation to clear derivatives traded on regulated markets and timing of acceptance for clearing. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/583](#), of 14 July 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory

technical standards on transparency requirements for trading venues and investment firms in respect of bonds, structured finance products, emission allowances and derivatives. This Regulation was published on 31 March 2017.

- [Commission Delegated Regulation \(EU\) 2017/584](#), of 14 July 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying organisational requirements of trading venues. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/585](#), of 14 July 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the data standards and formats for financial instrument reference data and technical measures in relation to arrangements to be made by the European Securities and Markets Authority and competent authorities. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/586](#), of 14 July 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the exchange of information between competent authorities when cooperating in supervisory activities, on-the-spot verifications and investigations. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/587](#), of 14 July 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect of shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments and on transaction execution obligations in respect of certain shares on a trading venue or by a systematic internaliser. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/588](#), of 14 July 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the tick size regime for shares, depositary receipts and exchange-traded funds. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/589](#), of 19 July 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the organisational requirements of investment firms engaged in algorithmic trading. This Regulation was published on 31 March 2017.
- [Commission Delegated Regulation \(EU\) 2017/590](#), of 28 July 2016, supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the reporting of transactions to competent authorities. This Regulation was published on 31 March 2017.

- **Commission Delegated Regulation (EU) 2017/591**, of 1 December 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the application of position limits to commodity derivatives. This Regulation was published on 31 March 2017.
- **Commission Delegated Regulation (EU) 2017/592**, of 1 December 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the criteria to establish when an activity is considered to be ancillary to the main business. This Regulation was published on 31 March 2017
- **Commission Delegated Directive (EU) 2017/593**, of 7 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits. This Directive was published on 31 March 2017.

This Delegated Directive supplements Directive 2014/65/EU in the following ways:

- As to organisational requirements in product governance, it specifies the prior procedure for approval of new financial products for investment firms. These rules apply to all products sold on primary and secondary markets, irrespective of the type of product or service provided and of the requirements applicable at the point of sale. The rules may be applied in a proportionate manner, depending on the complexity of the product and the degree to which publicly available information can be obtained, taking into account: i) the nature of the instrument, ii) the investment service and iii) the target market. A range of duties and obligations are also established as to: i) information flows between manufacturers and distributors, and ii) periodic review of implemented processes.
- As to the restrictions on receipt or payment of inducements, a non-exhaustive list is introduced of relevant situations as to the condition that inducements should enhance the quality of the service to the client, and are accordingly permissible (proportionality must at all events exist between quality enhancements and inducements received). Those situations are: i) providing the client with investment advice on a wide range of financial instruments (including an appropriate number of instruments from third party product providers) and access to those products; ii) providing the client with non-independent advice combined with either an offer annually to assess the continuing suitability of the financial instruments in which the client has invested or with another ongoing service; iii) providing access at a competitive price to a wide range of financial instruments (including an appropriate number of instruments from third party product providers), together with, for instance, the provision of added-value tools, such as objective information tools, helping the client to take investment decisions or enabling the client to monitor, model and adjust the range of financial instruments in which they have invested.

- A duty is introduced to inform clients about all fees, commissions or monetary benefits received from third parties in relation to investment advice on an independent basis or portfolio management services. Investment firms providing both execution and research services simultaneously should price and supply them separately.
 - Investment firms providing investment advice on an independent basis or portfolio management services must provide clients with further clarifications in relation to the payment or reception of research - in particular, where research is not paid directly by the investment firm out of its own resources but in return for payments from a separate research payment account. This Directive introduces a range of requirements on research governance.
- **Commission Delegated Regulation (EU) 2017/751**, of 16 March 2017, amending Delegated Regulations (EU) 2015/2205, (EU) 2016/592 and (EU) 2016/1178 as regards the deadline for compliance with clearing obligations for certain counterparties dealing with OTC derivatives. This Regulation was published on 29 April 2017.
 - **Regulation (EU) 2017/826 of the European Parliament and of the Council**, of 17 May 2017, on establishing a Union programme to support specific activities enhancing the involvement of consumers and other financial services end-users in Union policy-making in the area of financial services for the period 2017-2020. This Regulation was published on 19 May 2017.
 - **Regulation (EU) 2017/827 of the European Parliament and of the Council**, of 17 May 2017, amending Regulation (EU) No. 258/2014 establishing a Union Programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020. This Regulation was published on 19 May 2017.
 - **Commission Delegated Regulation (EU) 2017/867**, of 7 February 2017, on classes of arrangements to be protected in a partial property transfer under Article 76 of Directive 2014/59/EU of the European Parliament and of the Council. This Regulation was published on 20 May 2017.
 - **Directive (EU) 2017/828 of the European Parliament and of the Council**, of 17 May 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

This Directive amends Directive 2007/36/EC of the European Parliament and of the Council, of 11 July 2007, on the exercise of certain rights of shareholders in listed companies, which establishes requirements in relation to the exercise of certain shareholder rights attached to voting shares in relation to general meetings of companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State. The Commission, in its communication “Action Plan: European company law and corporate governance - a modern legal framework for more engaged shareholders and sustainable companies”, of 12 December 2012, announced a number of actions in the area of corporate governance, in particular to encourage long-term shareholder engagement and

to enhance transparency between companies and investors. This Directive adopts the principles and objectives set out in that communication. The main changes are:

- i) The inclusion of three new chapters:
 - Chapter I *bis*, setting out the rules and obligations to which Member States are subject in relation to: i) the right of companies to identify their shareholders; ii) the information that intermediaries must communicate to a company; iii) the duty of intermediaries to enable shareholders to exercise their rights; and iv) the rules on transparency of intermediaries' fees.
 - Chapter I *ter*, setting out the rules and obligations to which Member States are subject in relation to: i) the duty of Member States to ensure that institutional investors and asset managers either comply with the requirements set out for the purpose in the Directive, or publicly disclose a clear and reasoned explanation why they have chosen not to comply with one or more of those requirements ("comply or explain"); ii) the transparency of the investment strategy of institutional investors; and iii) the transparency of asset managers and proxy advisors.
 - Chapter II *bis*, providing that the Commission shall be assisted by the European Securities Committee, and that Member States: i) shall lay down the rules on measures and penalties applicable to infringements of national provisions adopted pursuant to the Directive and ii) take all steps required to ensure enforcement.
- ii) Inclusion of new articles relating to:
 - Voting rights on the directors' remuneration policy.
 - Information to be provided and voting rights on the report on directors' remuneration.
 - Transparency and approval of related-party transactions.

Directive (EU) 2017/828 was published on 20 May 2017, and entered into force on the 20th day following its publication. Member States must take the necessary steps to give effect to the Directive no later than 10 June 2019.

- **Corrigendum to Regulation (EU) 2016/1011 of the European Parliament and of the Council**, of 8 June 2016, on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014. This Corrigendum was published on 24 May 2017.

Other publications

CNMV 2017 Activity Plan

CNMV Strategic areas 2017-2018

Publication of the CNMV Activity Plan is intended to increase transparency and encourage the exchange of information.

The strategic areas of action for this period (2017-2018) are:

- Prioritising supervision and promotion of market transparency and integrity;
- Enhancing the attractiveness and competitiveness of Spanish securities markets;
- Developing the monitoring of financial stability in capital markets;
- Strengthening financial education and support for investors.

To achieve these goals, in 2017 the CNMV plans to implement a range of initiatives in order to:

Improve the functioning of the CNMV (e.g., implementing the CNMV's "citizen's file").

Take specific steps in relation to market supervision, e.g., by streamlining formalities and conducting a critical review of issuance guidance (equities, fixed income, securitisations and commercial paper).

Take specific steps in relation to the supervision of financial intermediaries, e.g., horizontal reviews:

- i) Adaptation of SGIIC asset management firms to corporate governance requirements.
- ii) Compliance with various regulatory aspects of stress procedures in place at asset management firms.
- iii) Compliance with the obligations of depositaries defined in Circular 4/2016 on the functions of depositaries of collective investment institutions and entities regulated by Law 22/2014, of 12 November.

Undertake initiatives in relations with investors and other stakeholders. For instance, through the portal for FinTech proposals, the creation of a new Financial Education Plan for the period 2017-2020, review of the investor section on the website, or dissemination of criteria on MiFID II application and of criteria applicable to Packaged Retail and Insurance-based Investment Products (PRIIPs).

In addition, the CNMV intends to:

- Review the structure and format of the Report on Complaints and Enquiries.

- Set up a system of alternative dispute resolution in partnership with the Ministry of Economy and Competitiveness and the rest of advisory bodies.

Other matters

Measures on the marketing of CFDs and other speculative products to retail investors

On 21 March 2017, the CNMV published an information release on measures on the marketing of contracts for differences (CFDs) and other speculative products to retail investors. In Spain as in other European countries there has been an increase of marketing to retail investors by certain financial brokers of increasingly complex and high-risk instruments, such as CFDs, rolling-spot forex contracts (for the purpose of this release, “forex products”) and binary options.

The CNMV has accordingly taken certain steps to reinforce protection for retail investors in Spain investing in CFDs, forex products or binary options.

The CNMV requires that intermediaries who market CFDs or forex products with a leverage greater than 10 times, or who market binary options to retail investors based in Spain outside the scope of investment advice, to:

- Expressly warn investors that CNMV believes that, due to their complexity and risk, the purchase of these products is not appropriate for retail investors.
- Inform investors about the cost they would sustain if they decide to close out their position immediately after entering into the transaction and, in the case of CFDs and forex products, they must be warned that due to leverage losses may be greater than the amount originally invested to purchase the product.
- Obtain from the investor a written text or voice recording that proves that the customer is aware that the product he/she is about to purchase is especially complex and that the CNMV believes it is not appropriate for retail investors.
- Always insert in advertising used by companies to promote CFDs, forex products or binary options a warning on the difficulty of understanding these products and a disclosure of the fact that the CNMV believes they are not appropriate for retail investors owing to their complexity and risk.

The regulated entities to whom the CNMV has addressed this demand must adapt their procedures and systems as soon as practicable, and at all events within one month from receipt of the demand.

The release also announces that the CNMV plans to approach the securities supervisors of other countries to ask them to require that similar warnings be given and actions be taken by entities registered in their territory that provide these products to Spanish retail investors.

The CNMV intends to advocate at ESMA the adoption of coordinated measures throughout the European Union to enhance investor protection in this domain.

Ten tips on avoiding fly-by-night finance firms

The CNMV has published 10 tips to help investors identify and avoid unlicensed investment firms, which the Supervisor has dubbed *chiringuitos financieros* (“financial beach bars”). Recommendations include: find out the real nature of the firm; be distrustful of investor attraction techniques and watch out for “red flags” and common sales gambits – especially over the Internet and social media; be sceptical of any claims of high risk-free returns; be wary of complex products; keep a close watch on fees and expenses; make sure the product really exists; and, of course, if you do not get your money back, report the firm to authorities.

This publication follows the same approach as the CNMV’s “Warning to the general public on unregistered institutions”, which is intended to warn the market on entities that are not properly registered with the Supervisor and are therefore not licensed to provide investment services.

III Statistics annex

1 Markets

1.1 Equity

Share issues and public offerings¹

TABLE 1.1

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ²
NO. OF ISSUERS								
Total	49	50	45	19	13	18	16	9
Capital increases	47	45	45	19	13	18	15	8
Primary offerings	6	0	3	3	0	0	1	0
Bonus issues	19	17	18	5	6	8	4	1
Of which, scrip dividend	12	12	12	4	4	5	4	1
Capital increases by conversion	9	6	8	3	2	5	1	1
For non-monetary consideration	3	3	3	0	1	1	3	2
With pre-emptive subscription rights	5	12	11	5	2	1	3	1
Without trading warrants	18	16	11	4	2	4	4	3
Secondary offerings	4	6	2	2	0	0	2	1
NO. OF ISSUES								
Total	143	111	81	23	14	23	27	10
Capital increases	136	99	79	21	14	23	25	9
Primary offerings	8	0	4	4	0	0	1	0
Bonus issues	37	28	25	5	6	8	4	1
Of which, scrip dividend	28	22	19	4	4	5	4	1
Capital increases by conversion	29	23	17	3	2	7	1	1
For non-monetary consideration	5	3	4	0	2	1	3	3
With pre-emptive subscription rights	5	15	11	5	2	1	12	1
Without trading warrants	52	30	18	4	2	6	4	3
Secondary offerings	7	12	2	2	0	0	2	1
CASH VALUE (million euro)								
Total	32,759.2	37,065.5	20,251.7	9,247.2	1,953.7	4,154.3	8,723.5	10,094.3
Capital increases	27,872.3	28,733.9	19,745.1	8,740.6	1,953.7	4,154.3	7,364.2	9,224.1
Primary offerings	2,951.5	0.0	807.6	807.6	0.0	0.0	100.0	0.0
Bonus issues	12,650.8	9,627.8	5,898.3	1,233.3	1,146.3	2,552.1	1,084.4	716.4
Of which, scrip dividend	12,573.8	9,627.8	5,898.3	1,233.3	1,146.3	2,552.1	1,084.4	716.4
Capital increases by conversion	3,645.6	1,868.7	2,343.9	229.3	386.7	76.3	0.1	23.6
For non-monetary consideration ³	2,811.3	365.2	1,791.7	0.0	238.2	1,502.6	58.0	8,122.6
With pre-emptive subscription rights	2,790.8	7,932.6	6,513.3	5,534.0	174.8	4.6	6,010.2	11.7
Without trading warrants	3,022.2	8,939.7	2,390.2	936.3	7.7	18.6	111.5	349.8
Secondary offerings	4,886.9	8,331.6	506.6	506.6	0.0	0.0	1,359.3	870.2
NOMINAL VALUE (million euro)								
Total	4,768.5	4,253.4	4,206.1	2,029.0	338.5	522.6	731.5	318.0
Capital increases	4,472.6	3,153.3	4,189.8	2,012.6	338.5	522.6	353.8	240.3
Primary offerings	626.7	0.0	28.2	28.2	0.0	0.0	60.8	0.0
Bonus issues	1,258.2	946.6	877.8	300.8	122.7	351.8	106.1	49.6
Of which, scrip dividend	1,110.0	785.8	708.0	159.3	119.7	326.5	106.1	49.6
Capital increases by conversion	784.3	89.6	648.0	9.7	46.0	21.5	0.0	17.2
For non-monetary consideration	311.0	146.6	248.9	0.0	94.8	146.7	17.6	70.8
With pre-emptive subscription rights	1,185.7	1,190.7	1,403.0	1,173.0	72.6	0.9	89.3	11.7
Without trading warrants	306.7	779.8	983.9	500.9	2.4	1.7	80.0	91.0
Secondary offerings	295.9	1,100.2	16.3	16.3	0.0	0.0	377.7	77.7
Pro memoria: transactions MAB⁴								
No. of issuers	9	16	15	3	8	7	2	4
No. of issues	15	18	21	4	8	7	2	4
Cash value (million euro)	130.1	177.8	219.7	4.2	178.2	30.1	2.2	63.0
Capital increases	130.1	177.8	219.7	4.2	178.2	30.1	2.2	63.0
Of which, primary offerings	5.0	21.6	9.7	0.0	7.3	2.4	0.0	0.0
Secondary offerings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

2 Available data: May 2017.

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

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

Companies listed¹

TABLE 1.2

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ²
Total electronic market ³	129	129	130	131	132	130	131	131
Of which, without Nuevo Mercado	129	129	130	131	132	130	131	131
Of which, Nuevo Mercado	0	0	0	0	0	0	0	0
Of which, foreign companies	8	7	7	7	7	7	7	7
Second Market	6	5	5	5	5	5	5	5
Madrid	2	2	2	2	2	2	2	2
Barcelona	4	3	3	3	3	3	3	3
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry ex SICAVs	20	18	14	15	15	14	14	14
Madrid	9	8	5	6	6	5	5	5
Barcelona	12	10	8	9	9	8	8	8
Bilbao	7	6	5	5	5	5	5	5
Valencia	4	3	3	3	3	3	3	3
Open outcry SICAVs	0	0	0	0	0	0	0	0
MAB ⁴	3,269	3,429	3,336	3,416	3,397	3,336	3,235	3,130
Latibex	26	21	20	20	20	20	20	20

1 Data at the end of period.

2 Available data: May 2017.

3 Without ETFs (Exchange Traded Funds).

4 Alternative Stock Market.

Capitalisation¹

TABLE 1.3

Million euro	2014	2015	2016	2016			2017	
				II	III	IV	I	II ²
Total electronic market ³	735,317.8	766,335.7	779,123.8	675,765.0	727,943.2	779,123.8	869,728.4	920,055.8
Of which, without Nuevo Mercado	735,317.8	766,335.7	779,123.8	675,765.0	727,943.2	779,123.8	869,728.4	920,055.8
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies ⁴	132,861.1	141,695.3	151,043.2	127,150.3	134,605.9	151,043.2	168,755.6	173,083.0
Ibex 35	479,378.5	477,521.1	484,059.2	413,090.6	451,319.1	484,059.2	542,678.3	566,872.2
Second Market	30.2	20.6	114.1	116.4	114.8	114.1	106.7	99.9
Madrid	15.8	20.6	72.0	74.1	72.5	72.0	74.1	62.3
Barcelona	14.4	0.0	42.1	42.3	42.3	42.1	32.6	37.6
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	2,466.6	1,040.3	1,291.6	1,562.4	1,418.3	1,291.6	1,371.4	1,401.6
Madrid	376.5	296.9	289.9	380.4	340.6	289.9	270.2	244.3
Barcelona	2,356.5	887.7	1,136.6	1,409.1	1,263.6	1,136.6	1,215.1	1,245.5
Bilbao	162.5	943.3	54.0	67.9	58.0	54.0	319.0	290.9
Valencia	326.4	150.0	349.2	350.1	325.3	349.2	55.4	55.4
Open outcry SICAVs ⁵	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB ^{5,6}	34,306.0	37,258.5	38,580.8	35,480.3	38,154.1	38,580.8	39,711.8	39,815.4
Latibex	286,229.2	116,573.4	198,529.6	135,514.7	172,399.6	198,529.6	212,625.4	199,816.9

1 Data at the end of period.

2 Available data: May 2017.

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	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
Total electronic market ²	864,443.5	938,396.7	635,797.8	187,774.1	117,753.5	136,322.8	155,700.1	130,115.5
Of which, without Nuevo Mercado	864,443.5	938,396.7	635,797.8	187,774.1	117,753.5	136,322.8	155,700.1	130,115.5
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies	14,508.9	12,417.7	6,018.0	1,550.9	1,539.1	1,632.3	2,535.0	1,449.6
Second Market	0.7	13.8	3.1	0.4	2.4	0.3	0.1	0.4
Madrid	0.5	13.7	2.7	0.0	2.4	0.3	0.1	0.3
Barcelona	0.2	0.1	0.4	0.4	0.0	0.0	0.1	0.1
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	92.5	246.1	7.4	4.0	0.5	1.4	4.7	0.7
Madrid	32.6	19.4	3.2	1.2	0.1	0.5	1.6	0.1
Barcelona	45.2	219.1	4.2	2.7	0.4	0.8	3.1	0.6
Bilbao	14.3	7.5	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry SICAVs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAB ³	7,723.3	6,441.7	5,055.1	1,053.5	1,021.7	1,845.9	1,396.0	833.0
Latibex	373.1	258.7	156.4	17.7	26.5	58.9	71.2	29.0

1 Available data: May 2017.

2 Without ETFs (Exchange Traded Funds).

3 Alternative Stock Market.

Trading on the electronic market by type of transaction¹

TABLE 1.5

Million euro	2014	2015	2016	2016			2017	
				II	III	IV	I	II ²
Regular trading	831,962.6	903,397.2	619,351.6	185,223.1	109,836.1	129,322.9	150,670.1	125,749.7
Orders	453,294.9	475,210.0	346,980.8	95,369.7	66,942.5	82,994.9	86,616.7	62,168.1
Put-throughs	73,056.9	96,187.7	68,990.5	19,372.1	11,354.0	13,517.3	12,962.0	9,675.4
Block trades	305,610.8	331,999.5	203,380.2	70,481.3	31,539.5	32,810.8	51,091.4	53,906.2
Off-hours	7,568.8	3,137.9	1,996.2	122.1	260.6	995.9	500.8	307.9
Authorised trades	7,808.9	14,885.5	12,667.0	1,420.5	6,382.6	3,237.3	2,795.2	2,109.2
Art. 36.1 SML trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	175.3	4,360.1	788.4	0.0	788.4	0.0	56.1	184.9
Public offerings for sale	6,143.4	4,266.8	777.5	777.5	0.0	0.0	0.0	1,000.7
Declared trades	410.9	203.6	37.3	0.0	37.3	0.0	0.0	0.0
Options	6,954.1	5,964.2	5,408.3	1,158.4	82.4	2,104.6	943.5	277.3
Hedge transactions	3,419.5	2,181.4	1,833.8	419.5	366.0	662.1	734.4	485.7

1 Without ETFs (Exchange Traded Funds).

2 Available data: May 2017.

1.2 Fixed-income

Gross issues registered at the CNMV

TABLE 1.6

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
NO. OF ISSUERS								
Total	46	49	51	24	16	24	19	13
Mortgage covered bonds	13	13	13	8	0	8	3	4
Territorial covered bonds	3	3	3	2	1	1	0	1
Non-convertible bonds and debentures	16	16	16	10	5	10	9	7
Convertible bonds and debentures	1	1	0	0	0	0	0	0
Backed securities	13	16	20	4	5	8	6	2
Commercial paper	18	16	14	3	4	3	4	1
Of which, asset-backed	1	1	1	0	0	0	1	0
Of which, non-asset-backed	17	15	13	3	4	3	3	1
Other fixed-income issues	0	0	1	0	1	0	0	0
Preference shares	0	0	0	0	0	0	0	0
NO. OF ISSUES								
Total	662	415	399	110	68	124	115	57
Mortgage covered bonds	27	34	41	16	0	11	3	5
Territorial covered bonds	3	6	4	2	1	1	0	1
Non-convertible bonds and debentures	578	318	277	80	51	81	93	46
Convertible bonds and debentures	1	1	0	0	0	0	0	0
Backed securities	35	40	61	9	11	28	15	4
Commercial paper ²	18	16	15	3	4	3	4	1
Of which, asset-backed	1	1	1	0	0	0	1	0
Of which, non-asset-backed	17	15	14	3	4	3	3	1
Other fixed-income issues	0	0	1	0	1	0	0	0
Preference shares	0	0	0	0	0	0	0	0
NOMINAL AMOUNT (million euro)								
Total	130,258.4	136,607.3	139,026.1	29,252.0	13,528.8	55,523.5	25,418.1	13,445.3
Mortgage covered bonds	23,838.0	31,375.0	31,642.5	10,199.5	0.0	11,500.0	2,250.0	4,700.0
Territorial covered bonds	1,853.3	10,400.0	7,250.0	2,750.0	2,500.0	2,000.0	0.0	350.0
Non-convertible bonds and debentures	41,154.7	39,099.9	40,168.3	4,054.2	1,411.5	26,358.3	13,485.7	2,170.4
Convertible bonds and debentures	750.0	53.2	0.0	0.0	0.0	0.0	0.0	0.0
Backed securities	29,008.0	28,369.6	35,504.9	4,655.5	4,186.2	9,625.0	6,525.0	1,680.0
Spanish tranche	26,972.1	25,147.2	32,228.7	4,589.0	3,865.2	8,541.0	5,463.4	1,210.0
International tranche	2,035.9	3,222.4	3,276.2	66.5	321.0	1,084.0	1,061.6	470.0
Commercial paper ³	33,654.4	27,309.6	22,960.4	7,592.8	3,931.2	6,040.2	3,157.4	4,545.0
Of which, asset-backed	620.0	2,420.0	1,880.0	580.0	0.0	740.0	0.0	640.0
Of which, non-asset-backed	33,034.4	24,889.6	21,080.4	7,012.8	3,931.2	5,300.2	3,157.4	3,905.0
Other fixed-income issues	0.0	0.0	1,500.0	0.0	1,500.0	0.0	0.0	0.0
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pro memoria:								
Subordinated issues	7,999.3	5,452.2	4,278.7	130.0	733.4	1,435.3	1,519.5	930.0
Underwritten issues	195.8	0.0	421.0	0.0	0.0	0.0	0.0	0.0

1 Available data: May 2017.

2 Shelf registrations.

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

Issues admitted to trading on AIAF¹

TABLE 1.7

Nominal amount in million euro	2014	2015	2016	2016			2017	
				II	III	IV	I	II ²
Total	114,956.4	145,890.9	130,141.0	31,608.8	14,006.8	31,703.7	46,071.9	16,338.2
Commercial paper	33,493.1	27,455.3	22,770.6	7,927.4	3,904.6	5,949.2	3,053.3	5,180.5
Bonds and debentures	25,712.5	47,616.4	31,723.0	3,830.5	1,307.8	2,153.3	36,668.6	1,852.7
Mortgage covered bonds	24,438.0	31,375.0	31,392.5	12,999.5	0.0	11,250.0	2,500.0	4,600.0
Territorial covered bonds	1,853.3	10,400.0	7,250.0	2,750.0	2,500.0	2,000.0	0.0	350.0
Backed securities	29,459.5	29,044.2	35,504.9	4,101.4	4,794.4	10,351.2	3,850.0	4,355.0
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
Other fixed-income issues	0.0	0.0	1,500.0	0.0	1,500.0	0.0	0.0	0.0

1 Includes only corporate bonds.

2 Available data: May 2017.

AIAF. Issuers, issues and outstanding balance

TABLE 1.8

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
NO. OF ISSUERS								
Total	465	388	375	376	375	375	367	370
Corporate bonds	464	387	374	375	374	374	366	369
Commercial paper	19	16	14	14	14	14	14	13
Bonds and debentures	79	64	52	57	53	52	50	49
Mortgage covered bonds	49	44	43	43	43	43	43	43
Territorial covered bonds	9	9	9	9	9	9	6	7
Backed securities	329	278	276	274	275	276	277	280
Preference shares	23	13	9	9	9	9	7	5
Matador bonds	9	7	6	7	7	6	6	6
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	3,345	2,723	2,637	2,710	2,649	2,637	2,517	2,499
Corporate bonds	3,192	2,531	2,433	2,503	2,441	2,433	2,313	2,296
Commercial paper	1,130	392	351	355	342	351	278	278
Bonds and debentures	495	882	856	917	879	856	830	807
Mortgage covered bonds	283	238	231	236	232	231	221	221
Territorial covered bonds	39	32	29	32	29	29	25	26
Backed securities	1,188	966	948	944	940	948	948	953
Preference shares	47	16	12	12	12	12	5	5
Matador bonds	10	7	6	7	7	6	6	6
Government bonds	153	193	204	207	208	204	204	203
Letras del Tesoro	12	12	12	12	12	12	12	12
Long Government bonds	141	181	192	195	196	192	192	191
OUTSTANDING BALANCE² (million euro)								
Total	1,374,947.5	1,386,289.8	1,408,556.6	1,419,351.9	1,420,731.1	1,408,556.6	1,421,658.8	1,424,838.0
Corporate bonds	581,825.3	534,088.9	531,056.9	542,060.1	533,307.9	531,056.9	510,660.3	512,799.9
Commercial paper	20,361.6	15,172.9	16,637.4	17,027.6	16,585.7	16,637.4	13,874.9	14,806.7
Bonds and debentures	74,076.5	74,082.2	85,477.8	87,204.9	86,706.2	85,477.8	82,925.6	82,639.7
Mortgage covered bonds	208,314.2	194,072.7	180,677.5	187,479.6	183,627.5	180,677.5	173,111.7	175,811.7
Territorial covered bonds	24,671.3	27,586.3	29,387.3	29,086.3	27,887.3	29,387.3	25,612.3	25,962.3
Backed securities	253,045.1	222,100.4	217,992.1	220,317.0	217,556.3	217,992.1	214,309.9	212,753.7
Preference shares	782.1	627.4	497.8	497.8	497.8	497.8	439.0	439.0
Matador bonds	574.4	447.1	386.9	447.1	447.1	386.9	386.9	386.9
Government bonds	793,122.3	852,200.9	877,499.6	877,291.7	887,423.2	877,499.6	910,998.4	912,038.1
Letras del Tesoro	77,926.1	82,435.4	81,037.1	80,542.9	79,032.7	81,037.1	80,187.7	77,166.4
Long Government bonds	715,196.2	769,765.5	796,462.5	796,748.8	808,390.6	796,462.5	830,810.8	834,871.7

1 Available data: May 2017.

2 Nominal amount.

Nominal amount in million euro	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
BY TYPE OF ASSET								
Total	1,118,963.7	521,853.7	169,658.2	39,810.3	33,320.6	39,147.1	31,697.1	17,099.1
Corporate bonds	1,118,719.6	521,590.4	169,534.0	39,774.7	33,301.2	39,107.5	31,668.4	17,076.9
Commercial paper	48,817.3	31,346.2	20,684.3	5,972.1	5,578.0	4,859.7	3,805.9	1,412.9
Bonds and debentures	269,659.8	78,120.5	27,795.6	7,585.7	7,236.7	6,096.3	8,546.0	3,715.6
Mortgage covered bonds	376,273.3	187,201.7	79,115.6	16,213.9	12,431.2	17,450.1	10,836.0	7,760.2
Territorial covered bonds	82,023.2	46,711.4	5,329.3	47.6	775.0	2,000.0	367.0	14.7
Backed securities	341,827.8	177,844.1	36,554.9	9,952.0	7,276.0	8,668.8	8,095.4	4,173.0
Preference shares	97.7	295.5	43.1	0.5	4.3	24.4	7.5	0.6
Matador bonds	20.5	71.1	11.1	2.9	0.0	8.1	10.7	0.0
Government bonds	244.1	263.3	124.2	35.6	19.4	39.7	28.6	22.2
Letras del Tesoro	30.7	30.2	8.5	1.0	0.1	7.4	0.2	0.0
Long Government bonds	213.4	233.1	115.8	34.6	19.3	32.3	28.4	22.2
BY TYPE OF TRANSACTION								
Total	1,118,963.7	521,853.7	169,658.3	39,810.3	33,320.6	39,147.2	31,697.1	17,099.1
Outright	396,341.0	239,086.8	127,643.7	31,700.3	20,950.8	31,866.5	25,722.2	15,331.4
Repos	29,800.4	7,144.5	4,143.7	851.3	512.1	300.3	485.2	65.6
Sell-buybacks/Buy-sellbacks	692,822.2	267,875.7	37,870.9	7,258.7	11,857.7	6,980.4	5,489.7	1,702.1

¹ Available data: May 2017.

AIAF. Third-party trading. By purchaser sector

TABLE 1.10

Nominal amount in million euro	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
Total	262,527.8	193,694.8	117,373.0	27,509.1	19,621.9	29,512.0	21,523.7	13,507.2
Non-financial companies	30,843.4	22,747.1	7,119.3	1,540.5	1,276.7	684.5	732.3	300.7
Financial institutions	132,114.5	95,467.1	63,048.2	13,894.5	11,936.0	17,548.6	10,506.3	6,880.3
Credit institutions	87,475.6	74,196.0	46,583.9	9,642.9	8,279.3	14,222.1	7,618.2	4,474.3
CIS, insurance and pension funds	34,205.9	8,835.4	8,525.2	2,742.7	1,642.9	1,674.9	2,079.5	811.5
Other financial institutions	10,433.1	12,435.7	7,939.1	1,508.9	2,013.9	1,651.6	808.6	1,594.6
General government	5,067.3	10,414.4	4,969.7	1,694.4	1,062.7	911.8	1,488.3	666.9
Households and NPISHs ²	2,861.8	1,575.2	1,076.0	279.8	206.4	237.6	182.4	41.0
Rest of the world	91,640.7	63,491.1	41,159.9	10,100.0	5,140.1	10,129.6	8,614.3	5,618.4

¹ Available data: May 2017.

² Non-profit institutions serving households.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.11

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
NO. OF ISSUERS								
Total	28	20	17	19	19	17	17	17
Private issuers	17	10	7	9	9	7	7	7
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	17	10	7	9	9	7	7	7
General government ²	11	10	10	10	10	10	10	10
Regional governments	3	2	2	2	2	2	2	2
NO. OF ISSUES								
Total	165	103	75	91	86	75	72	70
Private issuers	65	43	26	35	35	26	25	24
Non-financial companies	0	0	0	0	0	0	0	0
Financial institutions	65	43	26	35	35	26	25	24
General government ²	100	60	49	56	51	49	47	46
Regional governments	56	25	23	25	24	23	23	24
OUTSTANDING BALANCES³ (million euro)								
Total	16,800.4	11,702.2	10,203.4	11,554.2	11,268.5	10,203.4	11,572.7	11,689.9
Private issuers	3,401.2	1,383.3	899.4	1,147.1	1,099.2	899.4	2,257.4	2,153.1
Non-financial companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial institutions	3,401.2	1,383.3	899.4	1,147.1	1,099.2	899.4	885.1	842.0
General government ²	13,399.2	10,319.0	9,304.0	10,407.1	10,169.3	9,304.0	9,315.3	9,536.8
Regional governments	12,227.2	9,320.2	8,347.6	9,411.7	9,211.7	8,347.6	8,347.6	8,572.6

1 Available data: May 2017.

2 Without public book-entry debt.

3 Nominal amount.

Trading on equity markets

TABLE 1.12

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
Nominal amounts in million euro								
Electronic market	861.2	19.3	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry	5,534.0	2,050.2	1,673.0	228.4	693.6	578.3	0.0	0.0
Madrid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barcelona	5,527.0	2,050.2	1,673.0	228.4	693.6	578.3	0.0	0.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public book-entry debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional governments debt	42,677.2	22,169.0	3,103.5	225.1	897.3	454.7	0.0	0.0

1 Available data: May 2017.

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

TABLE 1.13

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
Nominal amounts in million euro								
Total	103,044.0	101,555.0	165,472.0	53,039.0	38,752.0	42,450.0	46,843.0	18,728.0
Outright	103,044.0	101,555.0	165,472.0	53,039.0	38,752.0	42,450.0	46,843.0	18,728.0
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: May 2017.

1.3 Derivatives and other products

1.3.1 Financial derivatives markets: MEFF

Trading on MEFF

TABLE 1.14

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
Number of contracts								
Debt products	5,347	8,012	360	87	43	0	0	0
Debt futures ²	5,347	8,012	360	87	43	0	0	0
Ibex 35 products ^{3,4}	7,984,894	8,279,939	7,468,299	1,914,578	1,664,402	1,763,750	1,649,245	1,058,285
Ibex 35 plus futures	6,924,068	7,384,896	6,836,500	1,766,118	1,548,315	1,601,511	1,522,880	972,193
Ibex 35 mini futures	304,891	318,129	249,897	61,940	51,562	46,679	37,201	25,580
Ibex 35 dividend impact futures	23,939	32,499	58,044	13,027	5,448	25,661	8,780	6,955
Ibex 35 sectorals futures	–	–	1,619	–	120	1,499	855	1,290
Call mini options	483,471	325,479	169,871	38,567	31,200	48,763	35,945	23,070
Put mini options	248,526	218,937	152,368	34,927	27,757	39,637	43,585	29,197
Stock products ⁵	38,611,291	31,768,355	32,736,458	8,048,626	6,048,948	10,385,728	8,162,264	4,352,920
Futures	12,740,105	10,054,830	9,467,294	2,670,353	1,446,623	2,038,002	2,841,669	1,164,448
Stock dividend futures	236,151	291,688	367,785	137,565	8,596	109,396	62,500	81,250
Stock plus dividend futures	–	1,152	760	0	180	560	0	120
Call options	11,719,370	8,572,088	11,239,662	2,191,674	2,578,138	4,075,065	2,545,493	1,559,030
Put options	13,915,665	12,848,597	11,660,957	3,049,034	2,015,411	4,162,705	2,717,852	1,548,072

1 Available data: May 2017.

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.

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

Issues registered at the CNMV

TABLE 1.15

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
WARRANTS								
Premium amount (million euro)	3,644.2	3,479.1	2,688.6	588.2	615.9	722.2	461.0	250.1
On stocks	1,770.9	1,807.3	1,438.2	373.7	272.0	361.2	280.7	153.3
On indexes	1,697.3	1,486.1	1,153.1	193.1	329.2	336.2	166.2	92.3
Other underlyings ²	176.0	185.6	97.2	21.3	14.6	24.7	14.1	4.5
Number of issues	8,574	9,059	7,809	1,795	1,667	2,053	1,435	845
Number of issuers	6	8	5	5	5	5	6	4
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	0.0	5.0	650.0	50.0	100.0	500.0	305.0	404.5
On stocks	0.0	5.0	650.0	50.0	100.0	500.0	300.0	400.0
On indexes	0.0	0.0	0.0	0.0	0.0	0.0	5.0	4.5
Other underlyings ²	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of issues	0	1	4	1	1	1	3	3
Number of issuers	0	1	1	1	1	2	2	2

1 Available data: May 2017.

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

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
WARRANTS								
Trading (million euro)	817.7	1,095.9	460.8	159.8	161.4	139.6	139.6	67.0
On Spanish stocks	379.8	303.6	155.4	46.0	52.4	57.0	57.0	28.0
On foreign stocks	51.2	66.7	24.3	7.6	8.1	8.6	8.6	4.9
On indexes	364.3	692.0	273.2	103.8	97.8	71.6	71.6	33.0
Other underlyings ²	22.4	33.6	8.0	2.4	3.2	2.4	2.4	1.1
Number of issues ³	7,612	7,530	6,296	2,708	2,257	2,457	1,817	1,817
Number of issuers ³	8	9	8	8	8	8	6	6
CERTIFICATES								
Trading (million euro)	1.7	1.1	0.3	0.1	0.1	0.0	0.0	0.0
Number of issues ³	2	2	2	2	2	2	1	0
Number of issuers ³	1	1	1	1	1	1	1	0
ETFs								
Trading (million euro)	9,849.5	12,633.8	3,771.8	1,468.5	1,014.3	1,288.9	1,095.7	820.0
Number of funds	70	58	33	58	32	33	21	21
Assets ⁴ (million euro)	436.1	436.1	349.3	325.3	336.0	349.3	393.4	-

1 Available data: May 2017.

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

3 Issues or issuers which were traded in each period.

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

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
BROKER-DEALERS								
Spanish firms	38	39	40	41	42	40	40	40
Branches	21	25	27	23	27	27	27	23
Agents	6,116	5,819	5,761	5,748	5,740	5,761	5,751	5,748
BROKERS								
Spanish firms	37	39	41	37	40	41	46	46
Branches	19	21	22	23	22	22	22	23
Agents	466	468	492	485	482	492	454	469
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	5	3	2	2	2	2	2	1
Branches	5	9	8	8	8	8	0	0
Agents	1	0	0	0	0	0	0	0
FINANCIAL ADVISORY FIRMS								
Spanish firms	143	154	160	162	163	160	161	163
Branches	11	12	15	12	12	12	12	15
CREDIT INSTITUTIONS²								
Spanish firms	137	134	126	133	131	126	125	125

1 Available data: May 2017.

2 Source: Banco de España.

Investment services. Foreign firms

TABLE 2.2

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
Total	3,100	3,176	3,310	3,266	3,289	3,310	3,345	3,367
Investment services firms	2,639	2,716	2,843	2,797	2,825	2,843	2,880	2,905
From EU member states	2,637	2,713	2,840	2,794	2,822	2,840	2,877	2,902
Branches	39	42	46	45	46	46	49	49
Free provision of services	2,598	2,671	2,794	2,749	2,776	2,794	2,828	2,853
From non-EU states	2	3	3	3	3	3	3	3
Branches	0	0	0	0	0	0	0	0
Free provision of services	2	3	3	3	3	3	3	3
Credit institutions ²	461	460	467	469	464	467	465	462
From EU member states	452	451	460	461	457	460	459	456
Branches	54	53	55	54	53	55	55	55
Free provision of services	398	398	405	407	404	405	404	401
Subsidiaries of free provision of services institutions	0	0	0	0	0	0	0	0
From non-EU states	9	9	7	8	7	7	6	6
Branches	6	6	5	5	5	5	4	4
Free provision of services	3	3	2	3	2	2	2	2

1 Available data: May 2017.

2 Source: Banco de España and CNMV.

Intermediation of spot transactions¹

TABLE 2.3

Million euro	2014	2015	2016	2016				2017
				I	II	III	IV	I
FIXED-INCOME								
Total	9,264,859.8	5,365,817.5	4,625,411.6	1,234,449.1	1,273,116.1	1,124,102.8	993,743.7	1,135,283.7
Broker-dealers	4,989,059.9	3,774,816.4	3,171,599.2	805,643.4	892,819.1	762,082.2	711,054.6	728,709.2
Spanish organised markets	2,372,515.0	1,909,130.4	1,350,483.4	369,646.2	374,752.4	336,786.1	269,298.8	305,662.1
Other Spanish markets	2,388,868.8	1,689,702.4	1,570,540.0	364,162.5	451,729.7	375,674.4	378,973.4	340,438.6
Foreign markets	227,676.1	175,983.6	250,575.8	71,834.7	66,337.0	49,621.7	62,782.4	82,608.5
Brokers	4,275,799.9	1,591,001.1	1,453,812.4	428,805.7	380,297.0	362,020.6	282,689.1	406,574.5
Spanish organised markets	89,472.6	14,160.0	25,247.8	14,338.1	6,844.3	3,039.3	1,026.1	1,611.4
Other Spanish markets	3,955,091.6	1,402,106.3	1,222,925.7	353,710.7	308,895.1	320,816.5	239,503.4	343,082.9
Foreign markets	231,235.7	174,734.8	205,638.9	60,756.9	64,557.6	38,164.8	42,159.6	61,880.2
EQUITY								
Total	940,623.2	1,020,289.5	798,564.7	210,419.3	205,836.0	167,119.5	215,189.9	179,859.0
Broker-dealers	875,037.7	914,649.2	636,727.0	194,853.2	174,181.3	117,048.1	150,644.4	166,798.5
Spanish organised markets	814,349.4	855,883.2	583,283.9	180,804.3	159,663.1	105,234.4	137,582.1	153,257.5
Other Spanish markets	2,828.5	3,327.8	2,313.1	637.2	585.6	373.5	716.8	755.3
Foreign markets	57,859.8	55,438.2	51,130.0	13,411.7	13,932.6	11,440.2	12,345.5	12,785.7
Brokers	65,585.5	105,640.3	161,837.7	15,566.1	31,654.7	50,071.4	64,545.5	13,060.5
Spanish organised markets	16,726.7	14,207.3	11,090.1	3,001.3	2,227.3	3,778.5	2,083.0	1,615.2
Other Spanish markets	14,009.1	13,769.0	8,902.9	846.9	1,632.6	2,431.0	3,992.4	1,085.8
Foreign markets	34,849.7	77,664.0	141,844.7	11,717.9	27,794.8	43,861.9	58,470.1	10,359.5

1 Period accumulated data.

Intermediation of derivative transactions^{1,2}

TABLE 2.4

Million euro	2014	2015	2016	2016				2017
				I	II	III	IV	I
Total	10,095,572.3	12,104,474.3	10,985,305.6	3,087,332.5	2,849,764.2	2,347,754.9	2,700,454.0	2,662,706.3
Broker-dealers	9,918,555.0	11,958,716.2	10,698,379.2	3,025,120.2	2,756,706.2	2,271,808.1	2,644,744.7	2,617,322.1
Spanish organised markets	4,625,999.8	6,215,223.3	4,842,990.7	1,474,859.7	1,244,231.7	1,026,111.9	1,097,787.4	1,114,489.2
Foreign organised markets	4,913,770.3	5,386,722.4	5,204,785.7	1,360,289.3	1,342,718.7	1,109,120.9	1,392,656.8	1,358,134.8
Non-organised markets	378,784.9	356,770.5	650,602.8	189,971.2	169,755.8	136,575.3	154,300.5	144,698.1
Brokers	177,017.3	145,758.1	286,926.4	62,212.3	93,058.0	75,946.8	55,709.3	45,384.2
Spanish organised markets	6,881.8	7,510.9	20,935.4	5,151.0	6,112.1	5,370.4	4,301.9	3,859.8
Foreign organised markets	37,016.8	27,846.8	59,427.1	12,857.3	14,621.2	15,957.8	15,990.8	9,697.5
Non-organised markets	133,118.7	110,400.4	206,563.9	44,204.0	72,324.7	54,618.6	35,416.6	31,826.9

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.

Portfolio management. Number of portfolios and assets under management¹

TABLE 2.5

	2014	2015	2016	2016				2017
				I	II	III	IV	I
NUMBER OF PORTFOLIOS								
Total ²	13,483	13,713	15,818	11,539	11,779	12,202	15,818	12,774
Broker-dealers. Total	4,741	5,711	5,743	5,740	5,752	5,939	5,743	5,518
CIS ³	63	60	26	38	37	33	26	20
Other ⁴	4,678	5,651	5,717	5,702	5,715	5,906	5,717	5,498
Brokers. Total	4,484	5,681	6,512	5,799	6,027	6,263	6,512	7,256
CIS ³	63	95	98	89	95	96	98	95
Other ⁴	4,421	5,586	6,414	5,710	5,932	6,167	6,414	7,161
Portfolio management companies. ² Total	4,258	2,321	3,563	-	-	-	3,563	-
CIS ³	5	1	1	-	-	-	1	-
Other ⁴	4,253	2,320	3,562	-	-	-	3,562	-
ASSETS UNDER MANAGEMENT (thousand euro)								
Total ²	11,661,203	9,201,678	13,298,318	8,343,822	7,593,204	7,866,400	13,298,318	37,109,106
Broker-dealers. Total	4,905,630	5,406,804	5,534,052	6,018,420	5,301,602	5,513,589	5,534,052	34,351,526
CIS ³	1,371,924	1,546,293	818,442	1,139,393	1,078,702	1,070,345	818,442	803,264
Other ⁴	3,533,706	3,860,511	4,715,610	4,879,027	4,222,900	4,443,244	4,715,610	33,548,262
Brokers. Total	1,935,646	2,565,132	2,557,207	2,325,402	2,291,602	2,352,811	2,557,207	2,757,580
CIS ³	846,244	1,448,260	1,424,582	1,232,516	1,221,232	1,283,213	1,424,582	1,524,139
Other ⁴	1,089,403	1,116,872	1,132,625	1,092,886	1,070,370	1,069,598	1,132,625	1,233,441
Portfolio management companies. ² Total	4,819,927	1,229,742	5,207,059	-	-	-	5,207,059	-
CIS ³	118,847	15,729	15,916	-	-	-	15,916	-
Other ⁴	4,701,080	1,214,013	5,191,143	-	-	-	5,191,143	-

1 Data at the end of period.

2 Only public information about portfolio management companies is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.

3 Includes both resident and non-resident CIS management.

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

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

TABLE 2.6

	2014	2015	2016	2016				2017
				I	II	III	IV	I
NUMBER OF CONTRACTS								
Total (except Investment advisory firms) ³	12,761	14,569	17,856	13,015	13,587	14,319	17,856	16,929
Broker-dealers. Total ⁴	3,437	1,183	1,193	1,192	1,160	1,198	1,193	1,289
Retail clients	3,409	1,159	1,182	1,164	1,130	1,161	1,182	1,281
Professional clients	11	11	3	15	15	22	3	1
Brokers. Total ⁴	7,511	11,456	14,358	11,823	12,427	13,121	14,358	15,640
Retail clients	7,322	11,247	14,170	11,639	12,269	12,946	14,170	15,461
Professional clients	169	176	154	148	124	147	154	144
Portfolio management companies. ³ Total ⁴	1,813	1,930	2,305	-	-	-	2,305	-
Retail clients	1,805	1,928	2,303	-	-	-	2,303	-
Professional clients	8	2	2	-	-	-	2	-
Pro memoria: commission received for financial advice⁵ (thousand euro)								
Total (except Investment advisory firms) ³	18,747	10,937	11,515	2,323	4,637	7,772	11,515	2,935
Broker-dealers	10,638	2,930	2,547	647	1,266	1,909	2,547	645
Brokers	7,260	7,636	8,614	1,676	3,371	5,863	8,614	2,290
Portfolio management companies ³	849	371	354	-	-	-	354	-

1 Data at the end of period.

2 Quarterly data on assets advised are not available since the entry into force of CNMV Circular 3/2014, of 22 October.

3 Only public information about portfolio management companies is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.

4 Includes retail, professional and other clients.

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

Aggregated income statement. Broker-dealers

TABLE 2.7

Thousand euro ¹	2014	2015	2016	2016			2017	
				II	III	IV	I	II ²
I. Interest income	74,177	55,570	53,930	38,447	49,275	53,930	37,612	47,833
II. Net commission	445,317	422,542	373,552	191,507	280,710	373,552	98,284	127,976
Commission revenues	633,263	614,705	538,586	278,225	407,854	538,586	136,196	178,538
Brokering	342,462	322,857	245,700	128,808	184,438	245,700	60,936	77,602
Placement and underwriting	21,414	11,556	5,955	3,346	5,198	5,955	2,787	5,672
Securities deposit and recording	22,347	24,358	47,843	23,559	34,873	47,843	9,847	12,255
Portfolio management	21,046	22,541	23,738	10,674	16,933	23,738	12,726	16,906
Design and advising	19,502	13,575	14,648	7,580	10,554	14,648	2,727	4,348
Stocks search and placement	4,367	1,497	2,155	1,385	1,641	2,155	322	292
Market credit transactions	0	0	0	0	0	0	0	0
CIS marketing	62,948	73,889	75,505	36,698	55,758	75,505	19,625	26,425
Other	139,177	144,432	123,042	66,174	98,459	123,042	27,226	35,037
Commission expenses	187,946	192,163	165,034	86,718	127,144	165,034	37,912	50,562
III. Financial investment income	222,077	215,861	104,292	90,667	84,290	104,292	11,961	13,404
IV. Net exchange differences and other operating products and expenses	-96,425	-128,200	-1,177	-32,389	-19,553	-1,177	10,654	12,401
V. Gross income	645,146	565,773	530,597	288,232	394,722	530,597	158,511	201,614
VI. Operating income	265,509	186,771	169,499	101,954	120,083	169,499	67,505	73,182
VII. Earnings from continuous activities	192,467	141,291	140,521	101,475	117,959	140,521	62,058	69,816
VIII Net earnings of the period	192,467	141,291	140,521	101,475	117,959	140,521	62,058	69,816

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

2 Available data: April 2017.

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousand euro ¹	2014	2015	2016	2016				2017
				I	II	III	IV	I
TOTAL								
Total	200,010	137,327	152,893	32,932	93,809	108,543	152,893	60,430
Money market assets and public debt	12,342	9,327	8,332	2,397	4,802	6,422	8,332	1,072
Other fixed-income securities	31,631	24,795	35,415	9,674	18,170	25,572	35,415	9,484
Domestic portfolio	23,038	8,990	19,863	5,155	8,977	13,764	19,863	6,004
Foreign portfolio	8,593	15,805	15,552	4,519	9,193	11,808	15,552	3,480
Equities	800,035	112,943	135,587	-116,403	4,852	133,877	135,587	21,940
Domestic portfolio	112,635	18,141	14,010	-598	8,781	10,238	14,010	5,131
Foreign portfolio	687,400	94,802	121,577	-115,805	-3,929	123,639	121,577	16,809
Derivatives	-565,800	109,668	-52,325	131,289	72,260	-56,862	-52,325	-19,817
Repurchase agreements	345	-248	-471	-99	-244	-361	-471	-140
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial intermediaries	1,205	1,605	-1,030	-571	-1,660	-1,824	-1,030	171
Net exchange differences	-110,807	-142,545	-29,730	-2,440	-40,352	-29,944	-29,730	3,562
Other operating products and expenses	14,384	14,344	28,555	6,232	7,964	10,390	28,555	7,091
Other transactions	16,675	7,438	28,560	2,853	28,017	21,273	28,560	37,067
INTEREST INCOME								
Total	74,177	55,570	53,930	7,216	38,446	49,273	53,930	37,613
Money market assets and public debt	2,123	2,156	1,708	389	817	1,276	1,708	289
Other fixed-income securities	3,371	2,731	1,742	580	974	1,271	1,742	337
Domestic portfolio	2,147	1,534	809	320	509	550	809	137
Foreign portfolio	1,224	1,197	933	260	465	721	933	200
Equities	63,460	43,826	24,619	8,213	13,998	23,146	24,619	454
Domestic portfolio	28,679	3,622	3,298	102	1,756	2,397	3,298	39
Foreign portfolio	34,781	40,204	21,321	8,111	12,242	20,749	21,321	415
Repurchase agreements	345	-248	-471	-99	-244	-361	-471	-140
Market credit transactions	0	0	0	0	0	0	0	0
Deposits and other transactions with financial intermediaries	1,205	1,605	-1,030	-571	-1,660	-1,824	-1,030	171
Other transactions	3,673	5,500	27,362	-1,296	24,561	25,765	27,362	36,502
FINANCIAL INVEST INCOME								
Total	222,077	215,861	104,291	21,838	90,668	84,287	104,291	11,961
Money market assets and public debt	10,219	7,171	6,624	2,008	3,985	5,146	6,624	783
Other fixed-income securities	28,260	22,064	33,673	9,094	17,196	24,301	33,673	9,147
Domestic portfolio	20,891	7,456	19,054	4,835	8,468	13,214	19,054	5,867
Foreign portfolio	7,369	14,608	14,619	4,259	8,728	11,087	14,619	3,280
Equities	736,575	69,117	110,968	-124,616	-9,146	110,731	110,968	21,486
Domestic portfolio	83,956	14,519	10,712	-700	7,025	7,841	10,712	5,092
Foreign portfolio	652,619	54,598	100,256	-123,916	-16,171	102,890	100,256	16,394
Derivatives	-565,800	109,668	-52,325	131,289	72,260	-56,862	-52,325	-19,817
Other transactions	12,823	7,841	5,351	4,063	6,373	971	5,351	362
EXCHANGE DIFFERENCES AND OTHER ITEMS								
Total	-96,244	-134,104	-5,328	3,878	-35,305	-25,017	-5,328	10,856
Net exchange differences	-110,807	-142,545	-29,730	-2,440	-40,352	-29,944	-29,730	3,562
Other operating products and expenses	14,384	14,344	28,555	6,232	7,964	10,390	28,555	7,091
Other transactions	179	-5,903	-4,153	86	-2,917	-5,463	-4,153	203

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	2014	2015	2016	2016			2017	
				II	III	IV	I	II ²
I. Interest income	1,119	884	903	392	614	903	157	204
II. Net commission	120,634	113,904	108,111	51,128	78,389	108,111	27,149	36,090
Commission revenues	147,137	135,320	129,682	61,487	94,142	129,682	32,971	43,619
Brokering	41,745	31,845	24,181	13,647	18,617	24,181	5,666	7,257
Placement and underwriting	8,129	3,829	3,193	520	1,692	3,193	1,510	1,750
Securities deposit and recording	567	521	603	296	449	603	111	168
Portfolio management	15,062	10,711	11,054	5,258	8,188	11,054	2,991	3,827
Design and advising	7,576	7,856	8,980	3,595	6,140	8,980	2,347	3,034
Stocks search and placement	0	216	40	40	40	40	0	0
Market credit transactions	0	0	0	0	0	0	0	0
CIS marketing	46,565	53,169	50,504	24,561	37,047	50,504	12,424	16,572
Other	27,493	27,173	31,128	13,571	21,970	31,128	7,921	11,010
Commission expenses	26,503	21,416	21,571	10,359	15,753	21,571	5,822	7,529
III. Financial investment income	775	592	245	-133	176	245	258	296
IV. Net exchange differences and other operating products and expenses	1,102	1,197	-1,030	-749	-1,067	-1,030	-267	-516
V. Gross income	123,626	116,577	108,229	50,638	78,112	108,229	27,297	36,074
VI. Operating income	24,366	22,148	10,140	4,558	9,582	10,140	4,475	4,213
VII. Earnings from continuous activities	19,922	17,266	6,982	3,675	8,178	6,982	3,820	3,839
VIII. Net earnings of the period	19,922	17,266	6,982	3,675	8,178	6,982	3,820	3,839

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

2 Available data: April 2017.

Aggregated income statement. Portfolio management companies^{1,2}

TABLE 2.10

Thousand euro	2012	2013	2014	2015	2016
I. Interest income	733	667	574	399	83
II. Net commission	7,879	9,362	11,104	8,526	6,617
Commission revenues	17,887	18,603	15,411	13,064	6,617
Portfolio management	16,307	17,028	13,572	11,150	4,228
Design and advising	1,579	1,575	849	371	354
Other	0	0	990	1,544	2,035
Commission expenses	10,008	9,241	4,307	4,538	0
III. Financial investment income	4	9	-6	-28	-1
IV. Net exchange differences and other operating products and expenses	-1	-32	-237	-234	-126
V. Gross income	8,615	10,006	11,435	8,663	6,573
VI. Operating income	1,406	3,554	5,860	3,331	3,172
VII. Earnings from continuous activities	1,411	3,563	5,860	3,331	3,172
VIII. Net earnings of the period	953	2,472	4,135	2,335	2,222

1 Accumulated data from the beginning of the year. It includes companies removed throughout the year.

2 Only public information about portfolio management companies is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.

Capital adequacy and capital ratio^{1,2}

TABLE 2.11

	2014	2015	2016	2016				2017
				I	II	III	IV	I
TOTAL³								
Total capital ratio ⁴	40.27	44.36	43.87	40.58	40.12	47.15	43.87	32.68
Own funds surplus (thousand euro)	1,056,285	1,109,837	956,055	1,080,658	1,124,389	1,156,546	956,055	958,553
Surplus (%) ⁵	403.43	454.50	448.43	407.25	401.44	489.33	448.43	308.53
No. of companies according to its surplus percentage								
≤ 100%	16	14	15	16	12	13	15	16
> 100-≤ 300%	24	22	26	21	25	24	26	26
> 300-≤ 500%	12	13	11	13	15	14	11	11
> 500%	21	21	19	17	16	20	19	18
BROKER-DEALERS								
Total capital ratio ⁴	40.84	46.13	45.71	41.84	41.28	49.25	45.71	33.20
Own funds surplus (thousand euro)	981,613	1,055,636	902,562	1,033,495	1,077,548	1,110,524	902,562	908,889
Surplus (%) ⁵	410.56	476.59	471.38	422.94	415.94	515.62	471.38	314.95
No. of companies according to its surplus percentage								
≤ 100%	5	4	8	8	5	6	8	8
> 100-≤ 300%	14	12	12	9	12	11	12	14
> 300-≤ 500%	6	8	6	9	11	10	6	6
> 500%	14	14	14	12	12	15	14	12
BROKERS								
Total capital ratio ⁴	24.30	25.58	26.24	25.97	25.82	25.55	26.24	25.98
Own funds surplus (thousand euro)	42,106	48,197	47,527	47,163	46,841	46,021	47,527	49,664
Surplus (%) ⁵	203.80	219.78	228.04	224.66	222.79	219.39	228.04	224.71
No. of companies according to its surplus percentage								
≤ 100%	11	10	7	8	7	7	7	8
> 100-≤ 300%	8	9	13	12	13	13	13	12
> 300-≤ 500%	6	5	5	4	4	4	5	5
> 500%	4	6	4	5	4	5	4	6
PORTFOLIO MANAGEMENT COMPANIES³								
Total capital ratio ⁴	133.69	71.26	61.64	-	-	-	61.64	-
Own funds surplus (thousand euro)	32,566	6,004	5,965	-	-	-	5,965	-
Surplus (%) ⁵	1,571.12	791.04	670.22	-	-	-	670.22	-
No. of companies according to its surplus percentage								
≤ 100%	0	0	0	-	-	-	0	-
> 100-≤ 300%	2	1	1	-	-	-	1	-
> 300-≤ 500%	0	0	1	-	-	-	1	-
> 500%	3	1	0	-	-	-	0	-

1 On 1 January 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 CNMV Circular 2/2014, of 23 June, on the exercise of various regulatory options regarding solvency requirements for investment firms and their consolidated groups.

3 Only public information about portfolio management companies is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.

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

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

Return on equity (ROE) before taxes¹

TABLE 2.12

	2014	2015	2016	2016				2017
				I	II	III	IV	I
TOTAL²								
Average (%) ³	22.83	15.34	15.97	12.69	15.84	12.96	15.97	21.78
No. of companies according to its annualized return								
Losses	11	21	20	27	22	29	20	23
0-≤ 15%	30	23	31	26	31	24	31	20
> 15-≤ 45%	23	22	17	12	10	14	17	25
> 45-≤ 75%	11	5	6	3	4	5	6	6
> 75%	8	9	9	8	10	10	9	12
BROKER-DEALERS								
Average (%) ³	23.04	14.85	16.16	13.16	16.27	12.90	16.16	22.10
No. of companies according to its annualized return								
Losses	4	9	8	11	11	15	8	11
0-≤ 15%	18	14	20	16	16	14	20	8
> 15-≤ 45%	11	10	6	7	6	7	6	13
> 45-≤ 75%	5	4	2	1	3	3	2	4
> 75%	2	2	4	3	4	3	4	4
BROKERS								
Average (%) ³	22.18	21.52	11.53	6.30	9.60	13.86	11.53	17.84
No. of companies according to its annualized return								
Losses	7	12	12	16	11	14	12	12
0-≤ 15%	11	8	10	10	15	10	10	12
> 15-≤ 45%	8	11	11	5	4	7	11	12
> 45-≤ 75%	6	1	3	2	1	2	3	2
> 75%	6	7	5	5	6	7	5	8
PORTFOLIO MANAGEMENT COMPANIES²								
Average (%) ³	16.95	24.49	46.29	-	-	-	46.29	-
No. of companies according to its annualized return								
Losses	0	0	0	-	-	-	0	-
0-≤ 15%	1	1	1	-	-	-	1	-
> 15-≤ 45%	4	1	0	-	-	-	0	-
> 45-≤ 75%	0	0	1	-	-	-	1	-
> 75%	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 Only public information about portfolio management companies is shown since the first quarter of 2016 with the objective of maintaining statistical secrecy, as the number of companies is not enough to ensure it.
- 3 Average weighted by equity, %.

Financial advisory firms. Main figures¹

TABLE 2.13

Thousand euro	2012	2013	2014	2015	2016
ASSETS ADVISED²					
Total	14,776,498	17,630,081	21,379,858	25,366,198	28,555,839
Retail clients	3,267,079	4,991,653	5,707,640	6,777,181	7,592,441
Professional	3,594,287	3,947,782	4,828,459	5,109,979	5,657,508
Other	7,915,132	8,690,646	10,843,759	13,479,037	15,305,890
COMMISSION INCOME³					
Total	26,177	33,272	47,616	56,726	52,244
Commission revenues	26,065	33,066	47,037	55,781	51,508
Other income	112	206	579	945	736
EQUITY					
Total	13,402	21,498	26,454	25,107	24,402
Share capital	4,365	5,156	5,576	5,881	6,834
Reserves and retained earnings	4,798	9,453	8,993	7,585	11,697
Income for the year ³	4,239	6,890	11,885	11,531	7,965

1 Annual frequency since 2015 (CNMV Circular 3/2014, of 22 October).

2 Data at the end of each period.

3 Accumulated data from the beginning of the year.

3 Collective investment schemes (CIS)^a

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

TABLE 3.1

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
Total financial CIS	5,232	5,180	5,035	5,135	5,108	5,035	4,844	4,792
Mutual funds	1,949	1,760	1,748	1,742	1,750	1,748	1,741	1,729
Investment companies	3,228	3,372	3,239	3,344	3,308	3,239	3,054	3,012
Funds of hedge funds	18	11	7	10	10	7	8	9
Hedge funds	37	37	41	39	40	41	41	42
Total real estate CIS	11	9	9	9	9	9	10	10
Real estate mutual funds	4	3	3	3	3	3	3	3
Real estate investment companies	7	6	6	6	6	6	7	7
Total foreign CIS marketed in Spain	805	880	941	909	927	941	959	959
Foreign funds marketed in Spain	405	425	441	433	437	441	440	432
Foreign companies marketed in Spain	400	455	500	476	490	500	519	527
Management companies	96	96	101	101	101	101	105	105
CIS depositories	70	65	56	60	59	56	56	56

1 Available data: May 2017.

Number of CIS investors and shareholders¹

TABLE 3.2

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ²
Total financial CIS	6,859,555	8,164,054	8,704,329	8,291,387	8,498,932	8,704,329	9,774,214	9,656,121
Mutual funds	6,409,344	7,680,124	8,248,249	7,794,859	8,017,629	8,248,249	9,326,259	9,211,282
Investment companies	450,211	483,930	456,080	491,296	481,303	456,080	447,955	444,839
Total real estate CIS	4,866	4,501	4,601	4,587	4,617	4,601	4,463	4,457
Real estate mutual funds	4,021	3,918	3,927	3,929	3,935	3,927	3,946	3,951
Real estate investment companies	845	583	674	658	682	674	517	506
Total foreign CIS marketed in Spain ³	1,317,674	1,643,776	1,748,604	1,670,136	1,725,099	1,748,604	1,984,474	–
Foreign funds marketed in Spain	230,104	298,733	372,872	339,328	354,032	372,872	431,295	–
Foreign companies marketed in Spain	1,087,570	1,345,043	1,375,732	1,330,808	1,371,067	1,375,732	1,553,179	–

1 Investors and shareholders who invest in many sub-funds from the same CIS have been taken into account once. For this reason, investors and shareholders can be different from those in Tables 3.6 and 3.7.

2 Available data: April 2017.

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

CIS total net assets

TABLE 3.3

Million euro	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
Total financial CIS	230,205.70	255,677.0	269,953.8	252,165.5	261,437.0	269,953.8	279,923.4	282,425.9
Mutual funds ²	198,718.80	222,144.6	237,862.2	220,296.0	229,117.4	237,862.2	247,279.3	249,823.7
Investment companies	31,486.9	33,532.4	32,091.6	31,869.5	32,319.6	32,091.6	32,644.1	32,602.2
Total real estate CIS	1,226.3	1,093.1	1,077.4	1,106.4	1,091.2	1,077.4	1,084.0	1,082
Real estate mutual funds	419.8	391.0	370.1	383.9	376.9	370.1	369.7	369.8
Real estate investment companies	806.5	702.1	707.3	722.5	714.3	707.3	714.3	711.5
Total foreign CIS marketed in Spain ³	78,904.3	108,091.6	114,990.2	107,989.0	112,523.8	114,990.2	127,534.6	–
Foreign funds marketed in Spain	11,166.0	15,305.1	21,337.5	17,489.5	19,495.4	21,337.5	25,306.4	–
Foreign companies marketed in Spain	67,738.3	92,786.5	93,652.8	90,499.5	93,028.4	93,652.8	102,228.1	–

1 Available data: April 2017.

2 Mutual funds investment in financial mutual funds of the same management company reached 5.9 billion euro in March 2017.

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

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

Mutual funds asset allocation

TABLE 3.4

Million euro	2014	2015	2016	2016				2017
				I	II	III	IV	I
Asset	198,718.8	222,144.6	237,862.2	218,339.2	220,296.0	229,117.4	237,862.2	247,279.3
Portfolio investment	187,693.9	204,797.4	219,141.1	199,377.2	201,128.1	210,750.0	219,141.1	227,574.3
Domestic securities	114,644.5	93,833.6	95,799.1	92,200.6	89,770.7	93,163.0	95,799.1	93,627.1
Debt securities	79,694.4	58,451.3	63,471.1	57,983.1	57,062.9	60,689.9	63,471.1	63,454.6
Shares	8,448.0	8,757.5	8,529.9	7,787.9	7,436.6	7,834.3	8,529.9	9,687.4
Investment collective schemes	6,065.3	5,698.5	6,249.5	5,663.2	5,508.7	5,641.4	6,249.5	6,567.0
Deposits in credit institutions	19,927.4	20,482.9	17,134.3	20,559.8	19,505.5	18,712.9	17,134.3	13,356.1
Derivatives	495.4	433.7	405.7	197.2	245.9	275.8	405.7	554.4
Other	14.0	9.7	8.5	9.5	11.2	8.7	8.5	7.7
Foreign securities	73,048.3	110,957.0	123,336.0	107,171.1	111,351.6	117,579.5	123,336.0	133,927.6
Debt securities	38,582.2	48,542.8	56,307.9	47,603.5	51,101.6	54,092.7	56,307.9	59,346.7
Shares	13,042.9	18,654.1	20,035.3	17,699.4	17,874.2	18,500.2	20,035.3	23,257.2
Investment collective schemes	20,863.9	43,365.7	46,435.1	41,507.4	41,991.6	44,540.0	46,435.1	50,626.4
Deposits in credit institutions	243.3	104.1	81.2	125.0	171.6	95.7	81.2	127.5
Derivatives	310.6	285.6	474.3	231.4	208.8	347.6	474.3	567.7
Other	5.4	4.8	2.3	4.4	3.8	3.3	2.3	2.1
Doubtful assets and matured investment	1.2	6.8	6.1	5.5	5.9	7.5	6.1	19.5
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	10,895.0	16,594.5	18,392.6	18,354.2	18,117.7	17,559.1	18,392.6	19,493.7
Net balance (debtors - creditors)	129.9	752.7	328.5	607.8	1,050.1	808.3	328.5	211.3

Investment companies asset allocation

TABLE 3.5

Million euro	2014	2015	2016	2016				2017
				I	II	III	IV	I
Asset	31,486.9	33,532.4	32,091.6	32,295.3	31,869.5	32,319.6	32,091.6	32,644.1
Portfolio investment	29,080.6	30,035.2	28,127.7	28,549.3	27,852.8	28,450.5	28,127.7	29,463.9
Domestic securities	11,063.7	9,424.4	7,707.1	8,796.2	8,046.9	7,954.8	7,707.1	7,898.8
Debt securities	5,115.9	3,663.3	2,395.4	3,338.2	2,765.4	2,508.5	2,395.4	2,266.2
Shares	3,324.4	3,090.3	2,871.9	2,913.2	2,670.7	2,788.1	2,871.9	3,151.4
Investment collective schemes	1,433.0	1,418.4	1,485.3	1,355.6	1,411.1	1,522.6	1,485.3	1,660.4
Deposits in credit institutions	1,169.3	1,226.3	925.3	1,157.8	1,171.4	1,105.2	925.3	789.6
Derivatives	-10.8	-7.4	-5.2	-3.7	-4.6	-2.7	-5.2	-4.7
Other	31.9	33.7	34.4	35.2	32.9	33.0	34.4	36.0
Foreign securities	18,015.2	20,608.1	20,412.7	19,748.2	19,800.4	20,490.2	20,412.7	21,556.7
Debt securities	3,897.1	4,472.0	4,263.3	4,455.6	4,600.7	4,456.5	4,263.3	4,347.3
Shares	6,227.7	7,025.9	6,465.5	6,524.8	6,317.8	6,440.9	6,465.5	6,766.6
Investment collective schemes	7,784.2	9,090.2	9,653.0	8,743.3	8,861.7	9,572.2	9,653.0	10,423.0
Deposits in credit institutions	2.3	6.2	6.7	8.9	6.5	6.9	6.7	6.8
Derivatives	94.4	8.3	15.7	9.8	7.3	6.4	15.7	5.5
Other	9.5	5.5	8.4	5.9	6.5	7.3	8.4	7.6
Doubtful assets and matured investment	1.7	2.7	7.9	4.8	5.5	5.6	7.9	8.4
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	2,197.7	3,211.3	3,791.7	3,389.8	3,684.3	3,596.5	3,791.7	2,961.6
Net balance (debtors - creditors)	208.5	285.8	172.2	356.2	332.3	272.6	172.2	218.5

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

TABLE 3.6

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ³
NO. OF FUNDS								
Total financial mutual funds	1,951	1,804	1,805	1,809	1,810	1,805	1,815	1,808
Fixed-income ⁴	359	319	306	312	308	306	296	296
Mixed fixed-income ⁵	123	132	148	138	146	148	154	152
Mixed equity ⁶	131	142	168	156	166	168	172	172
Euro equity	103	109	112	111	112	112	114	114
Foreign equity	191	200	201	197	201	201	209	210
Guaranteed fixed-income	280	186	122	155	135	122	111	107
Guaranteed equity ⁷	273	205	198	201	196	198	201	198
Global funds	162	178	203	198	200	203	208	207
Passive management	227	213	220	222	221	220	218	220
Absolute return	102	97	106	98	104	106	111	111
INVESTORS								
Total financial mutual funds	6,409,806	7,682,947	8,253,611	7,800,091	8,022,685	8,253,611	9,332,934	9,218,058
Fixed-income ⁴	1,941,567	2,203,847	2,347,984	2,274,700	2,315,533	2,347,984	2,554,194	2,578,536
Mixed fixed-income ⁵	603,099	1,130,190	1,043,798	1,075,219	1,033,454	1,043,798	1,169,480	1,083,227
Mixed equity ⁶	377,265	612,276	448,491	556,818	451,040	448,491	485,795	495,747
Euro equity	381,822	422,469	395,697	392,465	387,786	395,697	429,147	494,972
Foreign equity	705,055	1,041,517	1,172,287	1,052,225	1,138,697	1,172,287	1,505,724	1,458,017
Guaranteed fixed-income	669,448	423,409	307,771	355,577	325,955	307,771	273,188	260,772
Guaranteed equity ⁷	557,030	417,843	552,445	497,543	515,563	552,445	576,664	574,513
Global funds	223,670	381,590	658,722	456,609	625,931	658,722	857,135	810,194
Passive management	686,526	554,698	746,233	609,995	681,545	746,233	723,472	714,810
Absolute return	264,324	479,182	565,325	513,724	532,151	565,325	743,411	732,573
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	198,718.8	222,144.6	237,862.2	220,296.0	229,117.4	237,862.2	247,279.3	249,823.7
Fixed-income ⁴	70,330.9	65,583.8	74,226.4	70,308.6	73,001.3	74,226.4	72,038.9	71,893.6
Mixed fixed-income ⁵	24,314.3	44,791.8	40,065.6	40,541.2	39,644.2	40,065.6	41,468.7	41,256.0
Mixed equity ⁶	13,570.4	21,502.9	16,310.6	17,595.1	15,601.3	16,310.6	18,159.5	18,674.7
Euro equity	8,401.5	9,092.9	8,665.9	7,410.3	7,795.7	8,665.9	9,874.5	10,793.3
Foreign equity	12,266.4	17,143.2	17,678.8	15,424.4	16,274.4	17,678.8	20,687.1	20,673.3
Guaranteed fixed-income	20,417.0	12,375.6	8,679.8	9,854.5	9,066.1	8,679.8	7,694.5	7,397.6
Guaranteed equity ⁷	12,196.4	9,966.6	15,475.7	13,277.3	14,064.6	15,475.7	16,418.9	16,385.1
Global funds	6,886.3	12,683.3	20,916.8	16,190.4	20,067.8	20,916.8	24,735.0	25,870.8
Passive management	23,837.5	17,731.1	23,601.6	18,534.2	21,872.0	23,601.6	22,701.7	22,404.1
Absolute return	6,498.1	11,228.1	12,215.2	11,134.1	11,704.0	12,215.2	13,474.6	14,449.2

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 Available data: April 2017.

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

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

6 Mixed euro equity and Foreign mixed equity.

7 Guaranteed equity and Partial guarantee.

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

TABLE 3.7

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ¹
INVESTORS								
Total financial mutual funds	6,409,806	7,682,947	8,253,611	7,800,091	8,022,685	8,253,611	9,332,934	9,218,058
Individuals	6,235,148	7,494,162	8,059,916	7,612,930	7,832,380	8,059,916	9,129,242	9,016,184
Residents	6,170,201	7,422,330	7,985,404	7,541,093	7,758,911	7,985,404	9,049,798	8,937,083
Non-residents	64,947	71,832	74,512	71,837	73,469	74,512	79,444	79,101
Legal entities	174,658	188,785	193,695	187,161	190,305	193,695	203,692	201,874
Credit institutions	493	532	497	483	508	497	522	427
Other resident institutions	173,351	187,395	192,381	185,856	188,995	192,381	202,317	200,582
Non-resident institutions	814	858	817	822	802	817	853	865
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	198,718.8	222,144.6	237,862.2	220,296.0	229,117.4	237,862.2	247,279.3	249,823.7
Individuals	159,423.5	181,868.0	195,567.5	180,902.2	188,220.8	195,567.5	203,626.4	205,704.8
Residents	157,135.2	179,232.4	192,743.0	178,305.7	185,467.5	192,743.0	200,701.5	202,756.2
Non-residents	2,288.3	2,635.6	2,824.5	2,596.4	2,753.2	2,824.5	2,924.9	2,948.6
Legal entities	39,295.4	40,276.6	42,294.8	39,393.8	40,896.6	42,294.8	43,652.9	44,118.9
Credit institutions	459.8	483.0	374.3	471.0	440.9	374.3	433.5	483.3
Other resident institutions	38,245.2	39,071.0	41,212.4	38,304.7	39,806.0	41,212.4	42,381.9	42,771.6
Non-resident institutions	590.4	722.6	708.1	618.0	649.7	708.1	837.4	864.1

1 Available data: April 2017.

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

TABLE 3.8

Million euro	2014	2015	2016	2016			2017	
				I	II	III	IV	I
SUBSCRIPTIONS								
Total financial mutual funds	136,161.2	159,036.2	113,274.7	26,772.1	27,272.4	27,729.7	31,500.5	39,646.1
Fixed-income	65,698.5	66,789.7	53,163.3	14,415.3	13,923.7	10,893.9	13,930.4	15,239.2
Mixed fixed-income	21,675.7	36,441.2	11,065.3	2,429.8	2,695.9	2,417.0	3,522.6	6,295.0
Mixed equity	8,991.2	13,771.0	4,250.6	1,038.1	816.9	807.5	1,588.1	2,812.7
Euro equity	6,702.0	6,719.9	3,716.3	999.5	931.1	583.2	1,202.5	1,572.3
Foreign equity	5,843.2	11,236.2	7,167.6	1,560.4	1,584.4	1,636.1	2,386.7	3,746.8
Guaranteed fixed-income	847.8	562.4	2,005.3	131.1	688.7	460.8	724.7	482.0
Guaranteed equity	3,684.6	1,993.2	7,942.5	2,370.8	2,187.2	1,389.6	1,994.9	1,488.7
Global funds	3,752.9	9,636.1	8,914.5	1,303.2	1,159.9	4,778.0	1,673.4	5,074.2
Passive management	15,081.3	3,350.5	10,195.7	969.2	2,417.1	3,647.4	3,162.0	889.5
Absolute return	3,884.4	8,363.0	4,853.2	1,554.4	867.4	1,116.2	1,315.2	2,045.6
REDEMPTIONS								
Total financial mutual funds	100,188.5	135,569.6	99,492.3	27,264.5	25,258.2	21,831.0	25,138.6	33,379.7
Fixed-income	52,205.8	72,141.1	45,549.5	12,336.8	12,087.6	8,493.1	12,632.0	17,191.8
Mixed fixed-income	5,963.7	15,273.7	14,242.9	4,034.2	3,258.2	3,617.0	3,333.5	5,143.7
Mixed equity	2,423.5	5,617.2	7,280.8	1,750.9	1,199.9	3,119.7	1,210.3	1,283.3
Euro equity	4,517.1	6,251.0	4,259.2	1,251.1	1,341.2	755.8	911.1	1,174.4
Foreign equity	5,311.4	7,175.7	6,821.0	1,884.8	1,684.0	1,398.9	1,853.3	1,785.1
Guaranteed fixed-income	11,301.4	7,369.8	5,208.0	1,399.3	1,653.6	1,273.9	881.2	1,314.0
Guaranteed equity	4,594.1	4,593.0	2,464.1	617.9	666.7	619.5	560.0	644.1
Global funds	1,570.6	3,830.8	5,334.6	1,381.2	1,443.1	1,240.5	1,269.8	1,723.8
Passive management	10,110.4	9,614.7	4,405.7	1,121.6	1,089.0	664.2	1,530.9	2,070.9
Absolute return	2,190.5	3,551.6	3,906.8	1,477.0	824.9	648.4	956.5	1,048.6

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	2014	2015	2016	2016				2017
				I	II	III	IV	I
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	35,794.5	22,763.6	13,823.2	-508.8	2,007.5	5,995.8	6,328.7	6,271.8
Fixed-income	13,821.0	-4,816.1	8,243.5	2,093.1	2,387.0	2,456.3	1,307.1	-2,130.1
Mixed fixed-income	15,689.2	20,903.0	-4,750.8	-1,618.6	-2,165.9	-1,165.1	198.8	1,167.0
Mixed equity	6,842.3	8,227.3	-5,194.5	-698.6	-2,573.6	-2,261.0	338.7	1,515.0
Euro equity	-338.3	467.2	-538.0	-274.1	-394.1	-176.7	306.9	447.5
Foreign equity	2,715.6	4,110.2	-32.5	-132.8	-664.4	246.2	518.5	1,965.5
Guaranteed fixed-income	-11,761.5	-8,093.5	-3,699.6	-1,566.5	-987.0	-813.1	-333.0	-956.6
Guaranteed equity	-651.7	-2,396.4	5,465.9	1,984.5	1,360.5	655.6	1,465.3	886.2
Global funds	2,110.3	5,787.9	7,801.3	-75.7	3,884.7	3,574.9	417.4	3,361.5
Passive management	5,632.0	-6,274.9	5,603.4	-113.5	1,122.6	2,981.4	1,612.9	-1,181.4
Absolute return	1,735.6	4,802.6	943.5	-97.4	47.6	497.3	496.0	1,197.3
RETURN ON ASSETS								
Total financial mutual funds	6,260.3	680.1	1,909.9	-3,290.6	-50.4	2,834.7	2,416.2	3,150.8
Fixed-income	1,451.7	69.3	399.3	88.4	156.2	236.5	-81.8	-57.3
Mixed fixed-income	487.2	-425.2	25.1	-587.1	121.6	268.2	222.4	236.4
Mixed equity	415.5	-294.8	2.2	-634.1	-1.5	267.2	370.6	333.9
Euro equity	107.0	224.2	110.8	-658.8	-355.7	562.1	563.2	761.1
Foreign equity	701.7	766.6	568.4	-847.6	-73.9	603.9	886.0	1,042.9
Guaranteed fixed-income	697.3	52.1	3.9	9.7	22.7	24.7	-53.2	-28.8
Guaranteed equity	344.5	166.6	43.1	-88.8	54.5	131.7	-54.3	57.0
Global funds	248.0	9.3	432.1	-306.9	4.9	302.5	431.6	456.7
Passive management	1,704.8	185.5	281.5	-208.3	8.0	365.2	116.6	286.6
Absolute return	102.7	-72.7	43.7	-56.9	12.8	72.6	15.2	62.2

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 category^{1,2}

TABLE 3.10

% of daily average total net assets	2014	2015	2016	2016				2017
				I	II	III	IV	I
MANAGEMENT YIELDS								
Total financial mutual funds	4.60	1.41	1.91	-1.26	0.24	1.54	1.29	1.57
Fixed-income	3.12	0.85	1.24	0.30	0.39	0.50	0.05	0.08
Mixed fixed-income	4.43	0.14	1.26	-1.07	0.60	0.98	0.85	0.87
Mixed equity	5.84	-0.12	1.45	-2.78	0.35	2.07	2.71	2.32
Euro equity	3.36	4.41	3.38	-7.64	-3.89	7.81	7.48	8.92
Foreign equity	8.02	6.80	5.55	-4.84	0.02	4.27	5.87	6.00
Guaranteed fixed-income	3.78	1.25	0.79	0.30	0.42	0.45	-0.46	-0.22
Guaranteed equity	4.09	2.75	1.09	-0.61	0.63	1.17	-0.22	0.52
Global funds	5.73	1.25	3.95	-2.23	0.32	2.08	2.43	2.36
Passive management	8.22	1.65	2.11	-1.02	0.23	1.92	0.66	1.41
Absolute return	2.99	0.29	1.41	-0.28	0.37	0.89	0.38	0.74
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.98	1.00	0.95	0.24	0.23	0.25	0.23	0.23
Fixed-income	0.70	0.66	0.58	0.14	0.14	0.15	0.14	0.13
Mixed fixed-income	1.19	1.15	1.12	0.28	0.28	0.28	0.27	0.27
Mixed equity	1.41	1.41	1.40	0.34	0.35	0.35	0.36	0.35
Euro equity	1.78	1.76	1.75	0.43	0.43	0.44	0.44	0.45
Foreign equity	1.77	1.71	1.71	0.41	0.41	0.43	0.45	0.44
Guaranteed fixed-income	0.88	0.84	0.68	0.19	0.17	0.16	0.15	0.13
Guaranteed equity	1.20	1.05	0.70	0.20	0.18	0.17	0.16	0.15
Global funds	1.19	1.06	1.26	0.25	0.26	0.44	0.28	0.28
Passive management	0.64	0.64	0.56	0.15	0.15	0.13	0.13	0.13
Absolute return	1.07	0.99	0.96	0.24	0.24	0.25	0.24	0.24
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.08	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Fixed-income	0.08	0.08	0.07	0.02	0.02	0.02	0.02	0.02
Mixed fixed-income	0.09	0.09	0.09	0.02	0.02	0.02	0.02	0.02
Mixed equity	0.11	0.11	0.11	0.03	0.03	0.03	0.03	0.03
Euro equity	0.12	0.12	0.12	0.03	0.03	0.03	0.03	0.03
Foreign equity	0.11	0.12	0.12	0.03	0.03	0.03	0.03	0.03
Guaranteed fixed-income	0.08	0.06	0.06	0.02	0.02	0.02	0.02	0.01
Guaranteed equity	0.08	0.08	0.06	0.02	0.01	0.01	0.01	0.01
Global funds	0.09	0.08	0.10	0.02	0.02	0.03	0.02	0.02
Passive management	0.07	0.07	0.06	0.02	0.02	0.01	0.01	0.01
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.

2 Annual data revised from 2014.

Mutual funds quarterly returns. Detail by category¹

TABLE 3.11

In %	2014	2015	2016	2016				2017
				I	II	III	IV	I
Total financial mutual funds	3.67	0.89	0.98	-1.36	-0.03	1.34	1.05	1.35
Fixed-income	2.41	0.10	0.52	0.16	0.23	0.34	-0.21	-0.07
Mixed fixed-income	3.67	0.16	0.27	-1.27	0.30	0.69	0.56	0.58
Mixed equity	4.70	0.15	1.19	-2.84	0.00	1.75	2.35	1.95
Euro equity	2.09	3.44	2.61	-6.99	-4.49	7.89	7.06	8.57
Foreign equity	6.61	7.84	4.15	-4.62	-0.44	4.00	5.46	5.67
Guaranteed fixed-income	2.54	0.27	-0.03	0.09	0.19	0.26	-0.58	-0.35
Guaranteed equity	2.64	1.07	0.19	-0.87	0.37	0.97	-0.27	0.41
Global funds	4.63	2.45	1.99	-2.21	0.02	2.09	2.13	2.08
Passive management	7.74	0.53	1.16	-1.13	-0.03	1.63	0.71	1.30
Absolute return	1.98	0.12	0.38	-0.51	0.12	0.65	0.12	0.50

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

	2013	2014	2015	2016				2017
				I	II	III	IV	I ¹
HEDGE FUNDS								
Investors/shareholders	2,415	2,819	3,089	3,011	2,928	2,916	2,930	2,968
Total net assets (million euro)	1,036.7	1,369.5	1,764.8	1,652.2	1,690.2	1,793.0	1,889.2	1,912.9
Subscriptions (million euro)	401.7	574.6	596.6	44.2	123.5	87.4	170.4	106.0
Redemptions (million euro)	414.3	293.8	260.5	130.4	76.1	43.3	126.8	131.2
Net subscriptions/redemptions (million euro)	-12.6	280.8	336.1	-86.2	47.5	44.0	43.6	-25.3
Return on assets (million euro)	130.0	52.0	56.3	-26.4	-9.4	58.8	52.5	49.0
Returns (%)	16.48	5.30	4.83	-1.30	-0.50	3.62	2.51	2.49
Management yields (%) ²	17.22	7.39	6.17	-0.90	-0.34	4.25	3.68	3.17
Management fee (%) ²	2.87	2.21	2.34	0.71	0.37	0.61	0.60	0.84
Financial expenses (%) ²	0.04	0.32	0.51	0.10	0.00	0.00	0.00	0.00
FUNDS OF HEDGE FUNDS								
Investors/shareholders	3,022	2,734	1,265	1,262	1,255	1,244	1,237	1,237
Total net assets (million euro)	350.3	345.4	319.8	306.3	290.7	286.7	293.7	295.4
Subscriptions (million euro)	4.9	7.1	8.3	0.0	0.0	0.0	0.0	-
Redemptions (million euro)	215.2	40.8	54.9	4.4	17.2	5.4	1.1	-
Net subscriptions/redemptions (million euro)	-210.3	-33.7	-46.6	-4.4	-17.2	-5.4	-1.1	-
Return on assets (million euro)	20.6	28.9	21.0	-9.1	1.7	1.4	8.1	-
Returns (%)	4.39	8.48	6.16	-2.89	0.56	0.48	2.83	0.54
Management yields (%) ³	5.78	9.72	6.61	-2.72	0.80	0.71	3.03	-
Management fee (%) ³	1.28	1.07	0.48	0.21	0.19	-0.21	-0.21	-
Depository fee (%) ³	0.08	0.08	0.04	0.01	0.01	-0.01	-0.01	-

1 Available data: February 2017.

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

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ²
NUMBER OF PORTFOLIOS³								
Mutual funds	1,949	1,760	1,748	1,742	1,750	1,748	1,741	1,727
Investment companies	3,164	3,333	3,231	3,323	3,297	3,231	3,045	3,026
Funds of hedge funds	18	11	7	10	10	7	8	8
Hedge funds	35	37	41	39	40	41	41	41
Real estate mutual funds	4	3	3	3	3	3	3	3
Real estate investment companies	7	6	6	6	6	6	7	7
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	198,718.8	222,144.6	237,862.2	220,296.0	229,117.4	237,862.2	247,279.3	249,823.7
Investment companies	30,613.8	32,879.4	31,783.2	31,425.4	31,914.4	31,783.2	32,259.7	32,214.0
Funds of hedge funds ⁴	345.4	319.8	293.7	290.7	286.7	293.7	295.4	-
Hedge funds ⁴	1,328.0	1,764.8	1,889.2	1,690.2	1,793.0	1,889.2	1,912.9	-
Real estate mutual funds	419.8	391.0	370.1	383.9	376.9	370.1	369.7	369.8
Real estate investment companies	806.5	702.1	707.3	722.5	714.3	707.3	715.3	711.5

1 Until March 2016, it is considered as "assets under management" all the assets of the investment companies which are co-managed by management companies and other different companies.

2 Available data: April 2017.

3 Data source: Collective Investment Schemes Registers.

4 Available data for I Quarter 2017: February 2017.

Foreign Collective Investment Schemes marketed in Spain¹

TABLE 3.14

	2014	2015	2016	2016				2017
				I	II	III	IV	I
INVESTMENT VOLUME² (million euro)								
Total	78,904.3	108,091.6	114,990.2	107,329.1	107,989.0	112,523.8	114,990.2	127,534.6
Mutual funds	11,166.0	15,305.1	21,337.5	16,372.7	17,489.5	19,495.4	21,337.5	25,306.4
Investment companies	67,738.3	92,786.5	93,652.8	90,956.4	90,499.5	93,028.4	93,652.8	102,228.1
INVESTORS/SHAREHOLDERS								
Total	1,317,674	1,643,776	1,748,604	1,645,699	1,670,136	1,725,099	1,748,604	1,984,474
Mutual funds	230,104	298,733	372,872	325,003	339,328	354,032	372,872	431,295
Investment companies	1,087,570	1,345,043	1,375,732	1,320,696	1,330,808	1,371,067	1,375,732	1,553,179
NUMBER OF SCHEMES								
Total	805	880	941	904	909	927	941	959
Mutual funds	405	425	441	428	433	437	441	440
Investment companies	400	455	500	476	476	490	500	519
COUNTRY								
Luxembourg	333	362	391	378	372	385	391	405
France	264	282	286	277	282	283	286	284
Ireland	117	143	160	152	152	156	160	165
Germany	33	32	32	32	32	32	32	32
UK	26	31	32	31	32	32	32	32
The Netherlands	2	2	2	2	2	2	2	2
Austria	25	23	23	23	22	22	23	23
Belgium	4	4	4	4	4	4	4	5
Denmark	1	1	1	1	1	1	1	1
Finland	0	0	4	4	4	4	4	4
Liechtenstein	0	0	6	0	6	6	6	6

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

2 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

	2014	2015	2016	2016			2017	
				II	III	IV	I	II ²
REAL ESTATE MUTUAL FUNDS								
Number	3	3	3	3	3	3	3	3
Investors	4,021	3,918	3,927	3,929	3,935	3,927	3,946	3,951
Asset (million euro)	419.8	391.0	370.1	383.9	376.9	370.1	369.7	369.8
Return on assets (%)	-5.87	-6.66	-5.35	-1.61	-1.82	-1.81	-0.10	0.01
REAL ESTATE INVESTMENT COMPANIES								
Number	7	6	6	6	6	6	7	7
Shareholders	845	583	674	658	682	674	517	506
Asset (million euro)	806.5	702.1	707.3	722.5	714.3	707.3	714.3	711.5

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

2 Available data: April 2017.

