CNMV BULLETIN
Quarter IV
2012

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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
CEBS	Committee of European Banking Supervisors
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors
CESFI	Comité de Estabilidad Financiera (Spanish government committee for financial stability)
CESR	Committee of European Securities Regulators
CMVM	Comissão do Mercado de Valores Mobiliários (Portugal's National Securities Market Commission)
CNMV	Comisión Nacional del Mercado de Valores (Spain's National Securities Market Commission)
CSD	Central Securities Depository
EAFI	Empresa de Asesoramiento Financiero (financial advisory firm)
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
ECR	Entidad de capital-riesgo (venture capital firm)
EIOPA	European Insurance and Occupational Pensions Authority
EMU	Economic and Monetary Union (euro area)
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)
FIAMM	Fondo de inversión en activos del mercado monetario (money-market 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)
FIM	Fondo de inversión mobiliaria (securities investment 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
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIC	Institución de inversión colectiva (UCITS)
IICIL	Institución de inversión colectiva de inversión libre (hedge fund)
IIMV	Instituto Iberoamericano del Mercado de Valores
IOSCO	International Organization of Securities Commissions
ISIN	International Securities Identification Number
LATIBEX	Market in Latin American securities, based in Madrid
MAB	Mercado Alternativo Bursátil (alternative stock market)
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
MMU	CNMV Market Monitoring Unit
MoU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
OICVM	Organismo de inversión colectiva en valores mobiliarios (UCITS)
OMIP	Operador do Mercado Ibérico de Energía (operator of the Iberian energy derivatives market)
P/E	Price/earnings ratio
RENADE	Registro Nacional de los Derechos de Emisión de Gases de Efectos Invernadero (Spain's national register of greenhouse gas emission permits)
ROE	Return on Equity
SCLV	Servicio de Compensación y Liquidación de Valores (Spain's securities clearing and settlement system)
SCR	Sociedad de capital-riesgo (Venture capital company)
SENAF	Sistema Electrónico de Negociación de Activos Financieros (electronic trading platform in Spanish government bonds)
SEPBLAC	Servicio Ejecutivo de la Comisión de Prevención del Blanqueo de Capitales e infracciones monetarias (Bank of Spain unit to combat money laundering)
SGC	Sociedad gestora de carteras (portfolio management company)
SGECR	Sociedad gestora de entidades de capital-riesgo (venture capital firm management company)
SGFT	Sociedad gestora de fondos de titulización (asset securitisation trust management company)
SGIIC	Sociedad gestora de instituciones de inversión colectiva (UCITS management company)
SIBE	Sistema de Interconexión Bursátil Español (Spain's electronic market in securities)
SICAV	Sociedad de inversión de carácter financiero (open-end investment company)
SII	Sociedad de inversión inmobiliaria (real estate investment company)
SIL	Sociedad de inversión libre (hedge fund in the form of a company)
SIM	Sociedad de inversión mobiliaria (securities investment company)
SME	Small and medium-sized enterprise
SON	Sistema Organizado de Negociación (multilateral trading facility)
SV	Sociedad de valores (broker-dealer)
SVB	Sociedad de valores y Bolsa (broker-dealer and market member)
TER	Total Expense Ratio
UCITS	Undertaking for Collective Investment in Transferable Securities

I Market survey (*)

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

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1 Overview

The world macroeconomic and financial landscape appeared to lighten somewhat in the second half of 2012. Growth remained sluggish in many economies, but international financial markets were in calmer mood after the mid-year flare-up in European debt market tensions. The major advanced economies stuck with their expansionary monetary policies in the absence of inflationary tensions. Ensuring the mid-term sustainability of public finances was again the big challenge confronting many economies, and not only in Europe. And though the turmoil affecting European debt markets lessened notably after September, when the ECB released details of its contingent government bond-buying programme, certain elements of fragility continue to linger.

In international debt markets, the more settled climate of the second-half period[1] permitted a steady decline in the long-term bond yields of Europe's most troubled economies, while the yields of U.S., German and UK bonds held at historic lows, on their perceived status as safe-haven assets. Meantime, the salient developments in international debt issuance were a small decrease in sovereign debt issuing volumes as fiscal austerity drives gathered speed, and the contrast, both here and in America, between dwindling net issuance of bank debt and the step-up in issuance by non-financial corporations, particularly through longer-dated debt securities.

International equity markets fought back to form after the price slide of the second quarter. Almost all benchmark indices managed full-year gains upwards of 10% against a backdrop of low volatility and greatly decreased trading.

In Spain, the latest available figures, corresponding to third quarter 2012, show that GDP fell by 0.3% in quarterly terms and 1.6% year on year (-0.1% and -0.6% respectively in the euro area). And the forecasts drawn up by major international organizations augur a 2013 contraction of around 1.5%. Inflation, meantime, returned with force in the second half, after holding more or less steady around the 2% mark, due to hikes in VAT and certain tariff prices. The labour market remained depressed, with jobless rates climbing above 25% of the active population and employment levels falling 4.5%. Finally, there was no let-up in the country's intense drive to consolidate its public finances.

The year-long performance of domestic financial markets was largely conditioned by fall-out from the European debt crisis, aggravated since spring by growing doubts about the soundness of the Spanish banking sector, for which the Government sought financial assistance on 25 June. In government bond markets, ten-year yields

1 The closing date for the report is 15 December.

peaked at 7.6% in late July, when the spread over the German benchmark stretched to 635 bp. Both magnitudes would ease thereafter, aided in September by the ECB's release of the detailed arrangements for its sovereign bond-buying plan. By mid-December, Spanish ten-year yields were back to 5.4% and the spread vs. the German Bund to 404 bp.

Total fixed-income issues registered with the CNMV expanded 8.8% in the year as far as 314 billion euros. Leading the advance were non-convertible bonds and debentures, backed in most cases by government guarantee, alongside mortgage covered bonds and commercial paper. This last instrument competed fiercely with bank deposits in the year's closing months. A large proportion of bank sector issuing volumes were again retained by the originator, primarily for use as collateral in loan operations.

The turmoil emanating from debt markets and the weakness of domestic activity weighed on equity markets in the year. The result was that even a robust second-half rally could not save Spanish stocks from closing in losses in contrast to the gains marked up on other European markets. Specifically, the Ibex 35 shed over 6% of its value from year-end 2011 to mid-December 2012. Liquidity conditions deteriorated slightly after the July ban on short selling, while trading volumes contracted sharply, against a backdrop of significant drop in trading in the main international markets. Ibex 35 volatility, finally, fell back from end-July highs testing 50% to under 20% in the closing weeks.

Key financial indicators

TABLE 1

	Q1 12	Q2 12	Q3 12	Q4 12[8]
Short-term interest rates (%)[1]				
Official interest rate	1.50	1.00	0.75	0.75
Euribor 3 month	1.54	0.66	0.25	0.19
Euribor 12 month	2.07	1.22	0.74	0.56
Exchange rates[2]				
Dollar/euro	1.35	1.26	1.29	1.31
Yen /euro	103.8	100.1	100.4	109.6
Medium and long government bond yields[3]				
Germany				
3 year	0.51	0.16	0.08	0.01
5 year	1.00	0.52	0.46	0.34
10 year	1.87	1.43	1.52	1.34
United States				
3 year	0.35	0.39	0.34	0.33
5 year	0.89	0.71	0.66	0.64
10 year	1.96	1.61	1.70	1.64
Corporate debt risk premium: spread over ten-year government bonds (bp)[3]				
Euro area				
High yield	703	643	500	428
BBB	291	173	112	70
AAA	-12	-124	-121	-83
United States				
High yield	692	642	541	521
BBB	240	244	190	172
AAA	79	46	38	30
Equity markets				
Performance of main world stock indices (%)[4]				
Euro Stoxx 50	6.9	-8.6	8.4	7.2
Dow Jones	8.1	-2.5	4.3	-2.2
Nikkei	19.3	-10.7	-1.5	9.8
Other indices (%)				
Merval (Argentina)	9.0	-12.6	4.5	10.0
Bovespa (Brazil)	13.7	-15.7	8.9	0.7
Shanghai Comp. (China)	2.9	-1.7	-6.3	3.1
BSE (India)	15.6	-0.7	8.0	3.9
Spanish stock market				
Ibex 35 (%)	-6.5	-11.3	8.5	4.1
P/E of Ibex 35[5]	9.7	8.6	11.1	11.0
Volatility of Ibex 35 (%)[6]	25.1	38.7	34.4	23.0
SIBE trading volumes[7]	2,702	3,186	2,345	2,499

Source: CNMV, Thomson Datastream, Bloomberg, Reuters, Banco de España, Bolsa de Madrid, MEFF and AIAF.

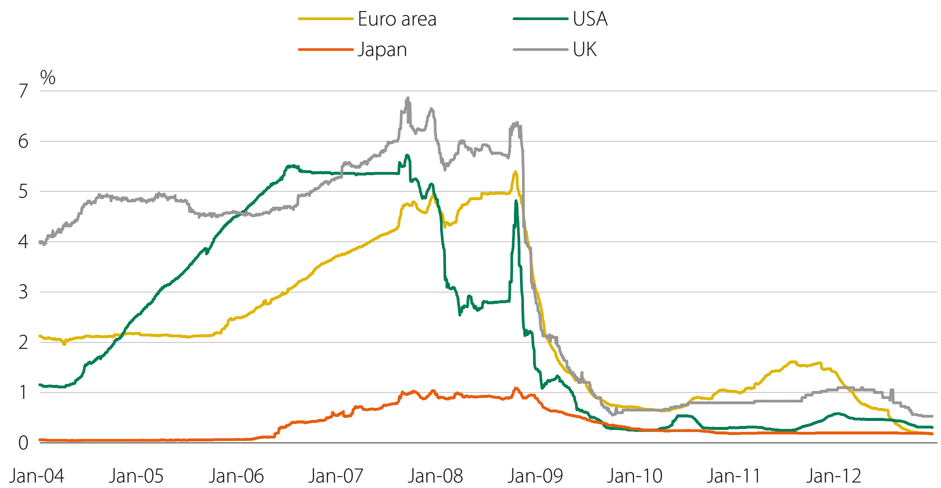
1 Monthly average of daily data. The official interest rate corresponds to the marginal rate at weekly auctions at the period close.
2 Data at period end.
3 Monthly average of daily data.
4 Cumulative quarterly change in each period.
5 Price earnings ratio.
6 Implied at-the-money (ATM) volatility on nearest expiry at period end. Arithmetical average for the quarter.
7 Daily average in million euros.
8 Data to 15 December.

2 International financial background

2.1 Short-term interest rates

The weakness of world economic activity and the absence of inflationary pressures kept short-term rates falling in the major advanced economies over the second half of 2012, though the decline was smoother than in previous quarters due to the low start-out values (see figure 1). Falls were steepest in the euro area in consonance with the ECB's decision on 5 July to cut its main refinancing rate by 25 bp to 0.75%. In other advanced regions, official rates were left unaltered between July and December 2012: at 0-0.25% in the United States, 0.5% in the United Kingdom and 0.10% in Japan.

Three-month interest rates FIGURE 1



Source: Thomson Datastream. Data to 15 December.

As we can see from table 1, short-term rates in the euro area came down by over 50 bp in the second half and over 120 bp in the full-year period as far as 0.2%, 0.3% and 0.6% at three, six and twelve-month maturities respectively. In the UK, the rundown in rates was also considerable, in the interval of 52 bp to 90 bp, while U.S. rates fell by a smaller 25 bp on average to 0.3%, 0.5% and 0.9%. Japanese rates in these same maturities closed at 0.2%, 0.3% and 0.5% after a year-long fall of less than 5 bp.

Short-term interest rates[1] TABLE 2

%	Dec 09	Dec 10	Dec 11	Dec 12	Mar 12	Jun 12	Sep 12	Dec 12
Euro area								
Official[2]	1.00	1.00	1.00	0.75	1.00	1.00	0.75	0.75
3 month	0.71	1.02	1.43	0.19	0.86	0.66	0.25	0.19
6 month	1.00	1.25	1.67	0.33	1.16	0.93	0.48	0.33
12 month	1.24	1.53	2.00	0.56	1.50	1.22	0.74	0.56
United States								
Official[3]	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month	0.25	0.30	0.56	0.31	0.47	0.47	0.39	0.31
6 month	0.45	0.46	0.78	0.52	0.74	0.74	0.67	0.52
12 month	1.00	0.78	1.10	0.85	1.05	1.07	1.00	0.85
United Kingdom								
Official	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3 month	0.65	0.80	1.05	0.53	1.06	0.94	0.67	0.53
6 month	0.95	1.05	1.40	0.70	1.38	1.23	0.93	0.70
12 month	1.45	1.50	1.90	1.00	1.92	1.76	1.38	1.00
Japan								
Official[4]	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month	0.28	0.18	0.20	0.18	0.20	0.20	0.19	0.18
6 month	0.48	0.35	0.34	0.29	0.34	0.34	0.32	0.29
12 month	0.70	0.57	0.55	0.50	0.55	0.55	0.54	0.50

Source: Thomson Datastream.

1 Average daily data except official rates, which correspond to the last day of the period. Data to 15 December.

2 Marginal rate at weekly auctions.

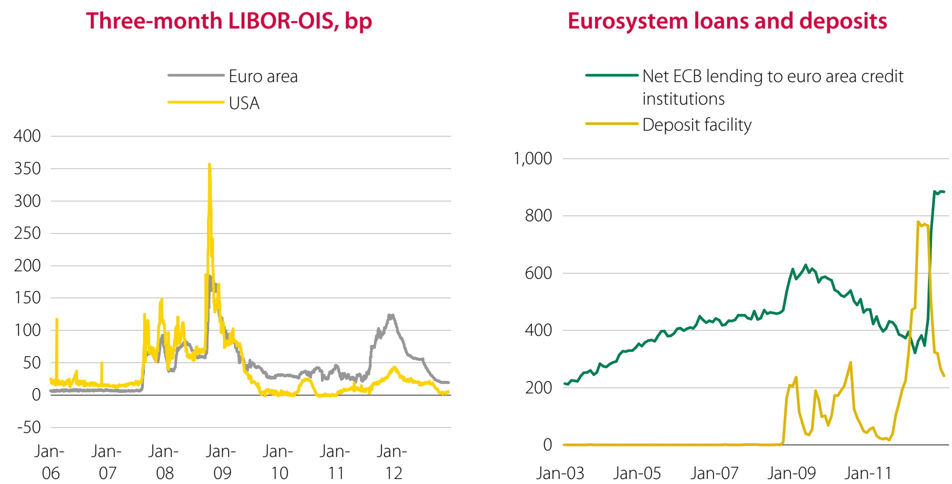
3 Federal funds rate.

4 Monetary policy rate.

Interbank trading volumes remained low overall, while the spreads between deposit and repo rates in the United States and euro area narrowed consistently for almost all of the year. This was true even at the height of debt market turmoil, towards the end of July. As shown in the left-hand panel of figure 2, the three-month Libor-OIS closed at around 20 bp in the euro area and 5 bp in the United States. With the debt crisis still simmering, however, euro-area banks had problems funding themselves on the financial markets and had to rely increasingly on Eurosystem liquidity. We can see from the right-hand panel of figure 2 that banks' borrowing (net of deposits) from the Eurosystem spiked in the middle months to more than 800 billion euros. And most of this funding found its way to entities in Spain, Italy and Greece. Note also the sector's dwindling recourse to the marginal deposit facility, down from May highs of over 770 billion euros to 240 billion in November.

Interbank spreads and Eurosystem financing

FIGURE 2



Source: Thomson Datastream and Banco de España.

Three-month forward rates at mid-December 2012 were pricing in no change for the next twelve months in either U.S. or euro official rates (see table 3).

Three-month forward rates (FRAs)[1]

TABLE 3

%	Dec 09	Dec 10	Dec 11	Dec 12	Mar 12	Jun 12	Sep 12	Dec 12
Euro area								
Spot	0.70	1.01	1.36	0.18	0.78	0.65	0.22	0.18
FRA 3x6	0.82	1.04	1.06	0.15	0.67	0.52	0.18	0.15
FRA 6x9	1.21	1.13	0.93	0.15	0.69	0.48	0.19	0.15
FRA 9x12	1.61	1.23	0.90	0.16	0.70	0.50	0.23	0.16
FRA 12x15	1.90	1.34	0.91	0.20	0.77	0.53	0.25	0.20
United States								
Spot	0.25	0.30	0.58	0.31	0.47	0.46	0.36	0.31
FRA 3x6	0.42	0.39	0.65	0.29	0.47	0.49	0.31	0.29
FRA 6x9	0.77	0.47	0.71	0.30	0.50	0.50	0.32	0.30
FRA 9x12	1.23	0.61	0.75	0.32	0.52	0.53	0.34	0.32
FRA 12x15	1.59	0.78	0.75	0.35	0.56	0.55	0.35	0.35

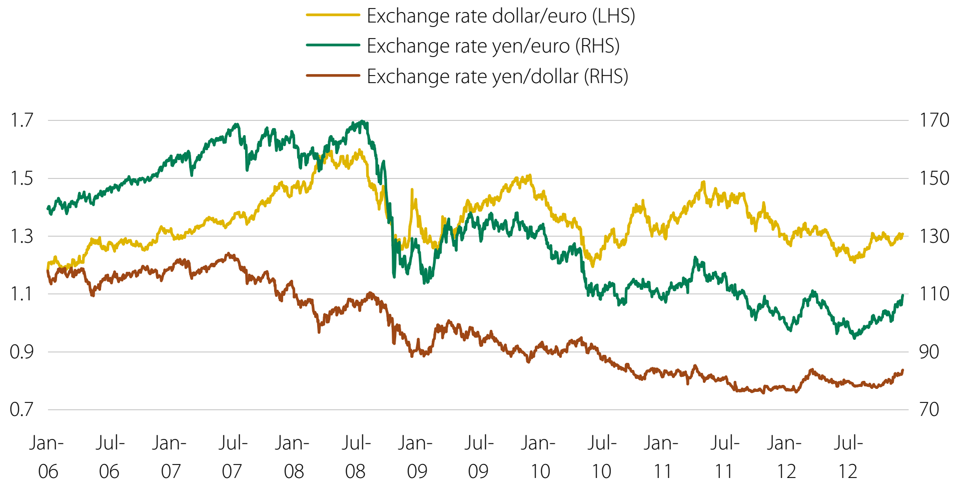
Source: Thomson Datastream.

1 Data at period end. Data to 15 December.

2.2 Exchange rates

In currency markets, the euro mounted a steady recovery after a March-July dip, coinciding with the new reversal on Europe's debt markets, which took it down from 1.33 to 1.20 dollars. The ECB's announcement that it would initiate programmed purchases of European sovereign bonds under certain conditions helped lift the exchange rate back to 1.30 dollars where it remained through to the closing weeks (see figure 3). The euro traced a similar pattern against the Japanese currency, dropping from 110 yens in March to below 95 yens at end-July, then working its way back to a year-end level of 110 yens.

Dollar/euro and yen/euro exchange rates FIGURE 3



Source: Thomson Datastream. Data to 15 December.

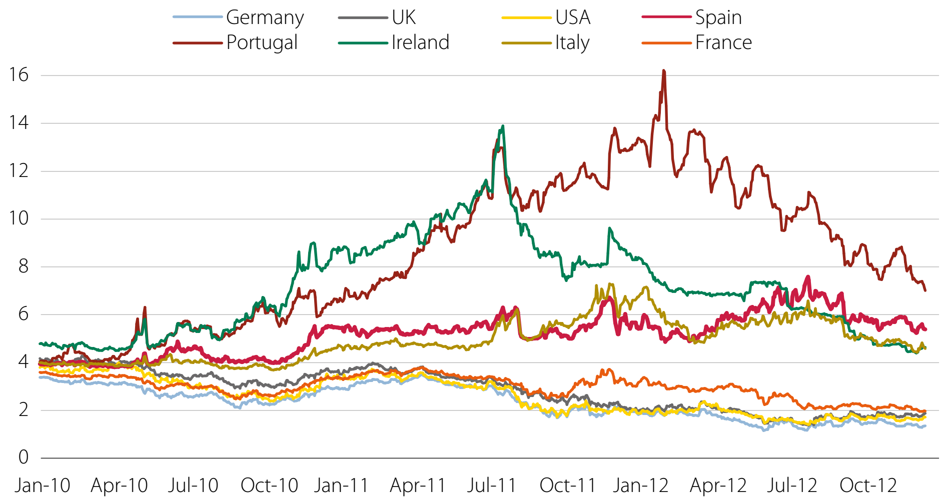
2.3 Long-term interest rates

The tensions emanating from the European sovereign debt crisis were less evident in the year's closing months, after an end-July outbreak that propelled bond yields to highs in the most vulnerable countries, particularly Spain and Italy. Relief came with the ECB's announcement in September of its bond-buying programme and a series of national measures, which helped bring down the long-term yields of Spain, Italy and other European countries already in receipt of EU financial assistance. Finally, Spanish long-term bond yields dropped from 7.6% at end-July to 5.4% at the annual close, and Italy's from 6.6% to 4.6%. There was better news too for Portugal and Ireland, whose ten-year bonds were yielding 7% and 4.6% respectively in the closing days of 2012, far short of the peak levels posted during earlier outbreaks of debt market turmoil (see figure 4).

As table 4 shows, long-term rates in the soundest economies (the United States, Germany and the United Kingdom) remained extremely low over the second half of 2012. German yields particularly closed the year at 1.34%, 0.34% and 0.01% in ten, five and three-year maturities. Although weak inflationary pressures are a contributing factor, it is primarily the safe-haven role of these countries' instruments that is driving these rock-bottom rates.

Long-term government bond yields (ten years)

FIGURE 4



Source: Thomson Datastream. Data to 15 December.

Medium and long government bond yields[1]

TABLE 4

%	Dec 09	Dec 10	Dec 11	Dec 12	Mar 12	Jun 12	Sep 12	Dec 12
Germany								
3 year	1.55	1.16	0.41	0.01	0.29	0.16	0.08	0.01
5 year	2.27	1.91	0.92	0.34	0.88	0.52	0.46	0.34
10 year	3.22	2.90	1.99	1.34	1.88	1.43	1.52	1.34
United States								
3 year	1.37	0.98	0.38	0.33	0.50	0.39	0.34	0.33
5 year	2.33	1.92	0.88	0.64	1.01	0.71	0.66	0.64
10 year	3.59	3.29	1.97	1.64	2.16	1.61	1.70	1.64
United Kingdom								
3 year	1.67	1.14	0.55	0.47	0.59	0.37	0.26	0.47
5 year	2.69	2.07	0.82	0.81	1.11	0.74	0.62	0.81
10 year	3.94	3.61	2.12	1.81	2.17	1.59	1.77	1.81
Japan								
3 year	0.21	0.25	0.18	0.12	0.17	0.12	0.12	0.12
5 year	0.47	0.46	0.34	0.17	0.32	0.21	0.20	0.17
10 year	1.26	1.18	1.00	0.69	0.99	0.83	0.79	0.69

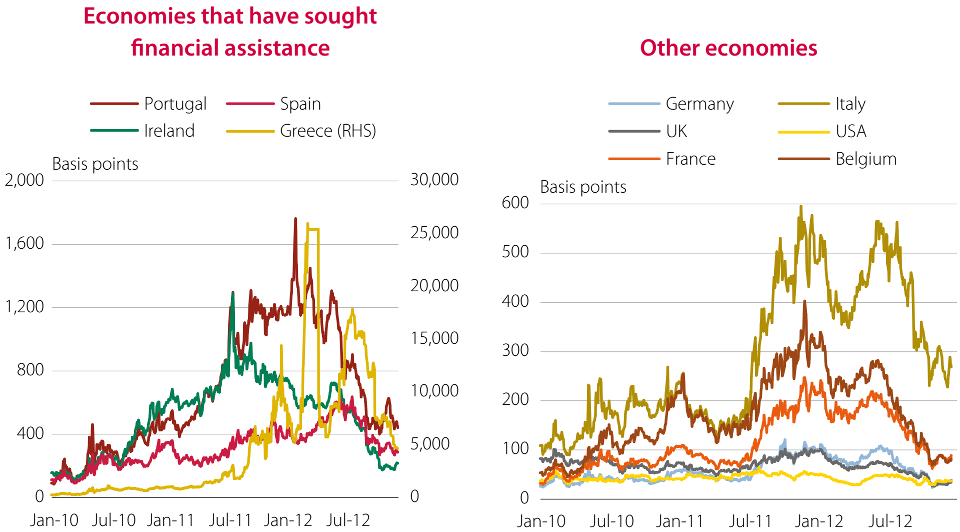
Source: Thomson Datastream.

1 Monthly average of daily data. Data to 15 December.

European sovereign risk premiums also relaxed back in the second half after the highs of end-July. This movement, which extended to all economies whether in receipt or otherwise of EU financial assistance, tended to level off in the closing weeks on renewed concerns about Greece's public finances. In all, however, the CDS spreads of leading sovereign issuers closed 2012 well below both their mid-year and end-2011 levels. In particular, Portugal, Spain, Italy and Ireland recorded mid-December spreads of 441 bp, 287 bp, 269 bp and 218 bp respectively, while those of France and Belgium had dropped below the 90 bp mark.

Sovereign credit spreads (five-year CDS)

FIGURE 5

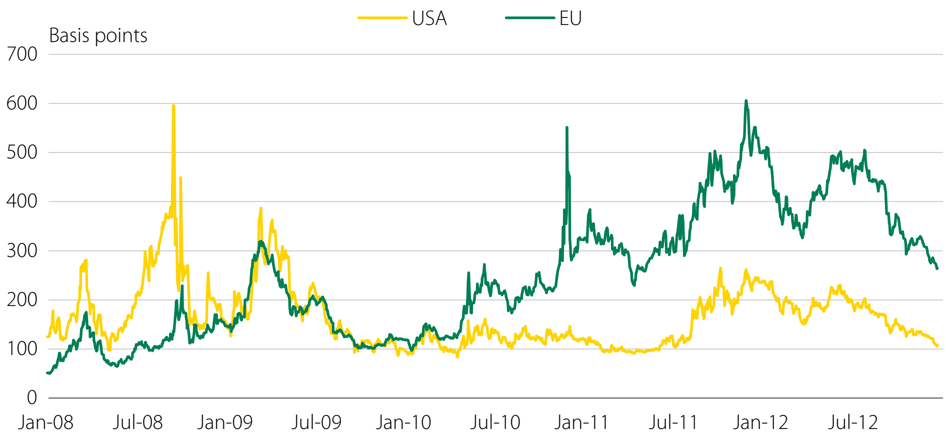


Source: Thomson Datastream. Data to 15 December.

Concerns over the asset quality of European banks and the sustainability of their funding were at the root of the mid-year spike in debt market tensions, with Spanish banks very much in the spotlight. As we can see from figure 6, the credit risk premium of the European banking sector surged beyond 500 bp in late July, then headed steadily downward to mid-December levels of 276 bp. U.S. banks too saw their credit spreads widen, albeit less dramatically, to above 200 bp in the middle months before dropping back to year-end levels of 110 bp.

Bank sector credit spreads (five-year CDS)

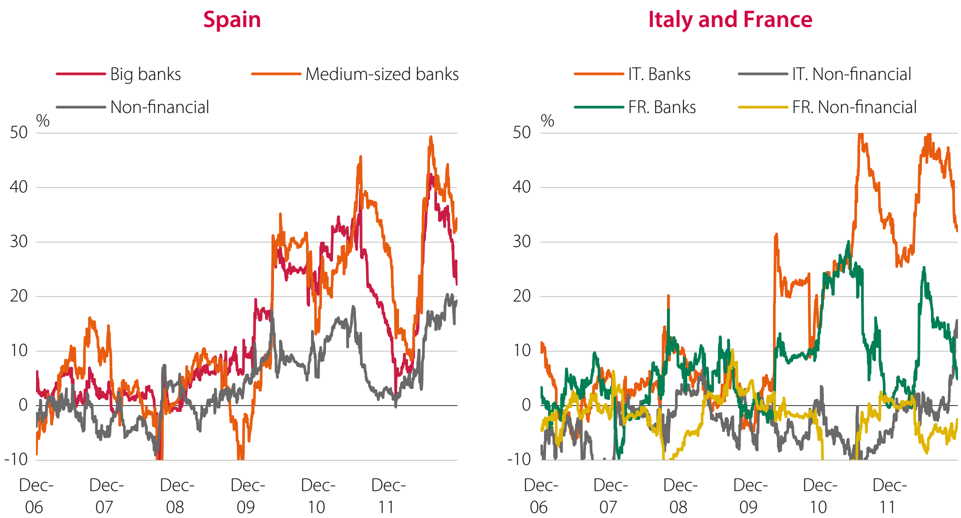
FIGURE 6



Source: Thomson Datastream, indices drawn up by CMA. Data to 15 December.

The easing of international financial market tensions through the second half of 2012 was accompanied in Europe by a loosening correlation between the price movements of national government bonds and shares. The feedback between rising sovereign spreads in certain countries and share price slides in these same countries' equity markets is a phenomenon whose maximum expression has tended to coincide with peak levels of financial market turmoil - a source of considerable anxiety to the competent regulatory authorities. As we can see from figure 7, which tracks the correlation between returns on government bonds and on equity investment in Spain, Italy and France, the link between the public sector of these economies and their private sector, the financial sector particularly, has weakened considerably with respect to the levels of around mid-year.

Correlation between returns on national government bonds and shares[1] FIGURE 7



Source: Thomson Datastream and CNMV.

1 Shares are those of companies listed on the Eurostoxx 300. We construct equal-weighted portfolios of the shares of financial and non-financial corporations, with prices assuming the reinvestment of dividends. MCO estimates are run on each portfolio, in rolling six-month windows, where the left side of the equation is the return (log) of the share portfolio and the right side the return (log) of the Eurostoxx 300 and that of a portfolio long in national government bonds and short in German bonds (Iboxx indices). The coefficient corresponding to the government bond portfolio is multiplied by the standard deviation of the return on this portfolio during the estimation period, and divided by the standard deviation in the same period of the return on the corresponding portfolio of shares.

The mid-year upswing in European debt market tensions had little impact on the credit spreads of European and U.S. private corporations (see table 5), whose debt issuance picked up steadily in the second half. As we can see from figure 8, net debt issuance on international markets exceeded 4.7 trillion dollars in full-year 2012,[2] 3.7% less than in 2011. If we focus, however, on the issuance mix by borrower and region, we see a tailing-off in sovereign debt volumes in both the United States and Europe, due, in essence, to the fiscal consolidation strategies launched by the advanced economies. Meantime, debt market tensions remained a powerful deterrent for financial corporations, whose net debt financing was negative once more in the U.S. and Europe, although its progression was from less to more.

Finally, non-financial corporations more than doubled their issue volumes for a full-year total upwards of one trillion dollars, with all major economic areas participating in the advance. Given the low interest rates prevailing in many economies, it could be that this issuance surge has been spurred along by investors' search for higher yielding assets.

2 To 15 December.

Corporate bond risk premiums[1]

TABLE 5

Spread versus ten-year government bonds, in basis points

	Dec 09	Dec 10	Dec 11	Dec 12	Mar 12	Jun1 2	Sep 12	Dec 12
Euro area								
High yield	714	462	739	428	536	643	500	428
BBB	242	170	287	70	159	173	112	70
AAA	28	14	-22	-83	-84	-124	-121	-83
United States								
High yield	582	461	683	521	546	642	541	521
BBB	189	145	261	172	195	244	190	172
AAA	51	37	98	30	30	46	38	30

Source: Thomson Datastream.

1 Monthly average of daily data. Data to 15 December.

Net international debt issuance

FIGURE 8

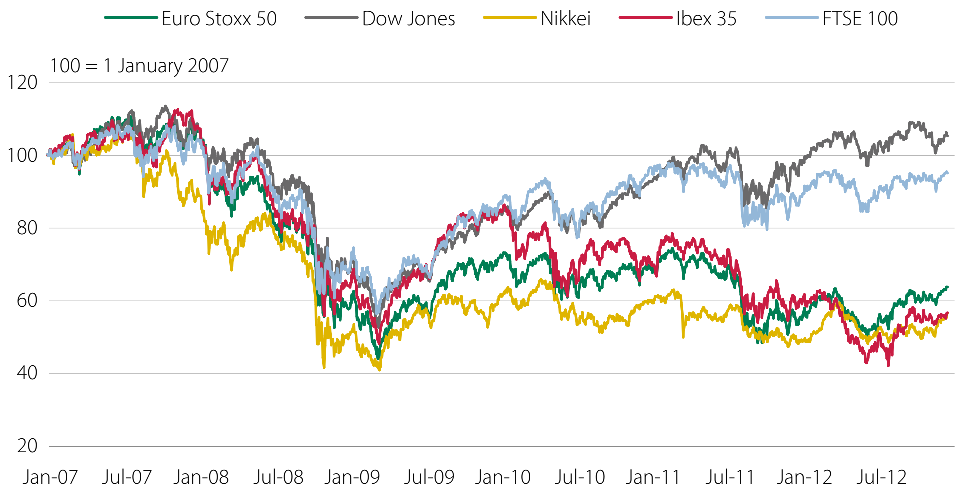
Source: Dealogic. Six-monthly data.

2.4 International stock markets

International stock markets rallied strongly after the price slide of the second quarter, with benchmark indices in most markets posting strong gains against a backdrop of falling volatility and significantly thinner trading (see figure 9).

Almost all advanced economy stock indices closed with rises above 10% (see table 6). The exceptions were the indices of Europe's weakest growing economies and those most engulfed in the mid-year debt market turmoil, whose prices rose more hesitantly or not at all. Among their number was Spain's benchmark index, the Ibex 35, which closed over 6% in losses (-13.1% in 2011 and -17.4% in 2010).

Performance of main world indices FIGURE 9



Source: Thomson Datastream. Data to 15 December.

The volatility of leading indices stayed low-key for most of the year. The only development of note was a moderate mid-year upswing in European markets to levels approaching 30%, nothing like the highs reached during earlier outbreaks of tension. By year end, moreover, readings were back to comfortably under 20% (see figure 10).

Performance of main world indices[1]

TABLE 6

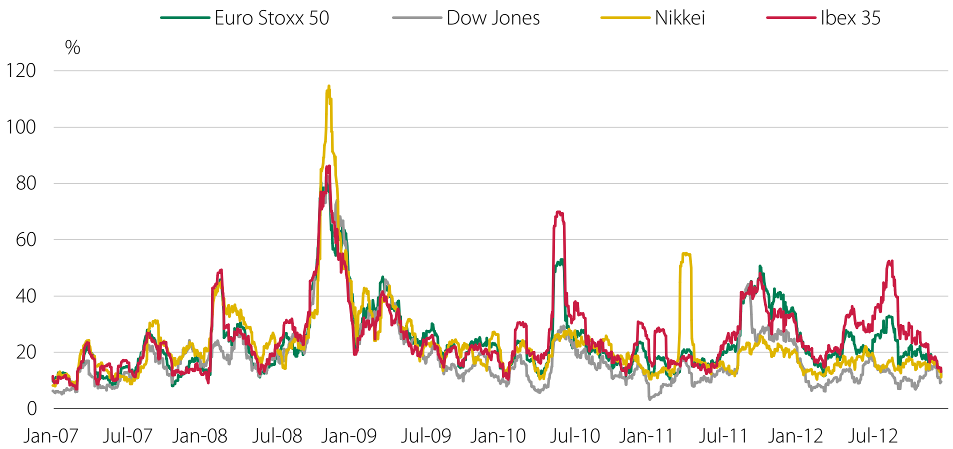
%	2009	2010	2011	2012	Q1 12	Q2 12	Q3 12	Q4 12 %/ prior qt.	Q4 12 %/ 31/12/11
World									
MSCI World	**27.0**	**9.6**	**-7.6**	**12.1**	**10.9**	**-5.8**	**6.1**	**1.1**	**12.1**
Euro area									
Euro Stoxx 50	21.1	-5.8	-17.1	13.6	6.9	-8.6	8.4	7.2	13.6
Euronext 100	25.5	1.0	-14.2	15.2	8.3	-4.7	5.0	6.3	15.2
Dax 30	23.8	16.1	-14.7	28.8	17.8	-7.6	12.5	5.3	28.8
Cac 40	22.3	-3.3	-17.0	15.3	8.4	-6.6	4.9	8.6	15.3
Mib 30	20.7	-8.7	-24.0	7.3	7.9	-11.3	8.6	3.2	7.3
Ibex 35	*29.8*	*-17.4*	*-13.1*	*-6.3*	*-6.5*	*-11.3*	*8.5*	*4.1*	*-6.3*
United Kingdom									
FTSE 100	22.1	9.0	-5.6-	6.3	3.5	-3.4	3.1	3.1	6.3
United States									
Dow Jones	18.8	11.0	5.5	7.5	8.1	-2.5	4.3	-2.2	7.5
S&P 500	23.5	12.8	0.0	12.4	12.0	-3.3	5.8	-1.9	12.4
Nasdaq-Cpte	43.9	16.9	-1.8	14.1	18.7	-5.1	6.2	-4.6	14.1
Japan									
Nikkei 225	19.0	-3.0	-17.3	15.2	19.3	-10.7	-1.5	9.8	15.2
Topix	5.6	-1.0	-18.9	9.9	17.3	-9.9	-4.2	8.6	9.9

Source: Datastream.

1 In local currency. Data to 15 December.

Historical volatility of main stock indices

FIGURE 10



Source: Thomson Datastream. Data to 15 December.

The dividend yields of leading world indices declined in the second-half period, especially in Europe. In absolute terms, however, U.S. and Japanese indices again trailed by this measure (see table 7) with yields bordering on 2.6% for the S&P 500 and 2.4% for the Topix, while yields in Europe ranged from the 5.9% of the Cac 40 to the 3.6% of the Dax 30.

Dividend yield of main stock indices TABLE 7

%	2008	2009	2010	2011	2012	Mar 12	Jun 12	Sep 12	Dec 12
S&P 500	3.5	2.3	2.2	2.6	2.6	2.4	2.7	2.5	2.6
Topix	2.7	1.8	1.9	2.6	2.4	2.2	2.5	2.5	2.4
Euro Stoxx 50	7.5	4.2	4.8	6.3	5.1	5.8	6.6	5.1	5.1
Euronext 100	7.9	4.2	4.3	5.6	5.0	5.2	5.7	5.0	5.0
FTSE 100	5.8	3.7	3.8	4.1	4.1	4.0	4.4	4.1	4.1
Dax 30	5.4	3.5	2.9	4.2	3.6	3.6	4.4	3.6	3.6
Cac 40	8.1	5.0	5.2	7.0	5.9	6.2	7.1	6.0	5.9
Mib 30	8.6	3.4	3.8	5.4	4.2	4.6	5.2	4.3	4.2
Ibex 35	6.2	3.9	5.9	6.9	5.7	7.3	8.9	5.4	5.7

Source: Thomson Datastream. Data to 15 December.

The price-earnings ratios (P/E) of main international indices moved higher in the second half as share prices rallied. By mid-December, ratios were running at over 12 times on U.S. and Japanese indices and between 10 and 11 times in Europe. In most main indices, growth was a product of rising markets. In Spain's case, however, the principal cause was a fall in expected earnings per share, as economic activity continued to weaken. Observed P/E ratios, meantime, continued at historic lows, as table 8 shows.

P/E[1] of main stock indices TABLE 8

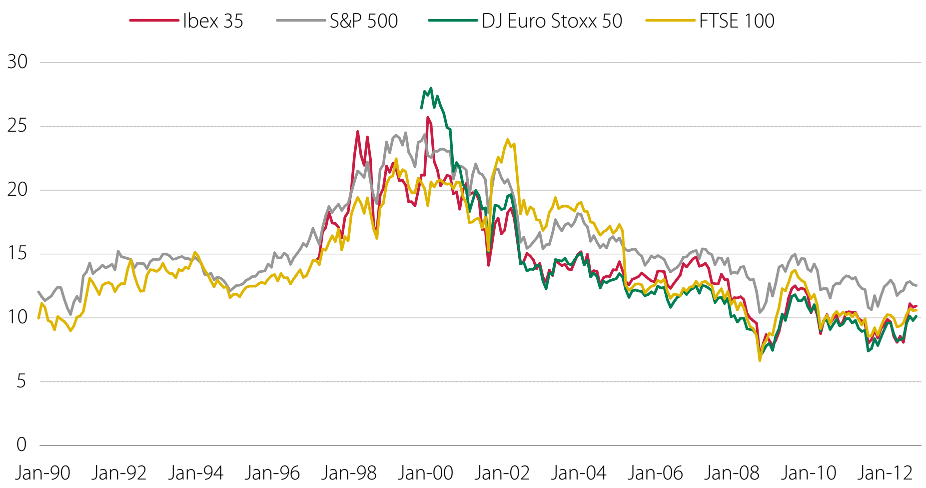
	2008	2009	2010	2011	2012	Mar 12	Jun 12	Sep 12	Dec 12
S&P 500	11.3	14.6	13.1	11.7	12.6	13.0	12.0	12.8	12.6
Topix	15.6	19.3	13.6	11.6	12.1	13.5	11.1	11.4	12.1
Euro Stoxx 50	7.8	11.5	9.5	8.5	10.3	9.6	8.3	10.1	10.3
Euronext 100	8.3	12.7	10.6	9.4	11.0	10.7	9.2	10.7	11.0
FTSE 100	8.3	12.5	10.5	9.3	10.8	10.2	9.4	10.7	10.8
Dax 30	8.8	12.7	10.8	9.0	10.7	10.6	8.7	10.4	10.7
Cac 40	8.0	12.1	10.0	8.7	10.4	9.9	8.5	10.1	10.4
Mib 30	7.6	12.4	10.0	8.4	10.1	9.7	7.7	9.8	10.1
Ibex 35	8.7	12.3	9.7	9.2	11.0	9.7	8.6	11.1	11.0

Source: Thomson Datastream. Data to 15 December.

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

P/E[1] of main stock indices

FIGURE 11



Source: Thomson Datastream. Data for the last trading session in each month. Data to 15 December.

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

Emerging stock markets, with few exceptions, pulled clear of the second-quarter dip with price advances in both the third and fourth quarters (see table 9). Leading the field in the full-year period were the Asian exchanges, with gains ranging from the 7.9% of the Malaysian index to the 32.5% of Thailand's SET. Markets were again buoyed up by the strength of economic activity in the region, with the only mildly dissonant note being the 2.2% fall in the Chinese index. Eastern European markets also performed creditably, with gains strongest in Poland and Romania. In Latin America, finally, the Venezuelan index powered to new heights, followed at a distance by those of Mexico and Argentina.

Performance of other leading world indices

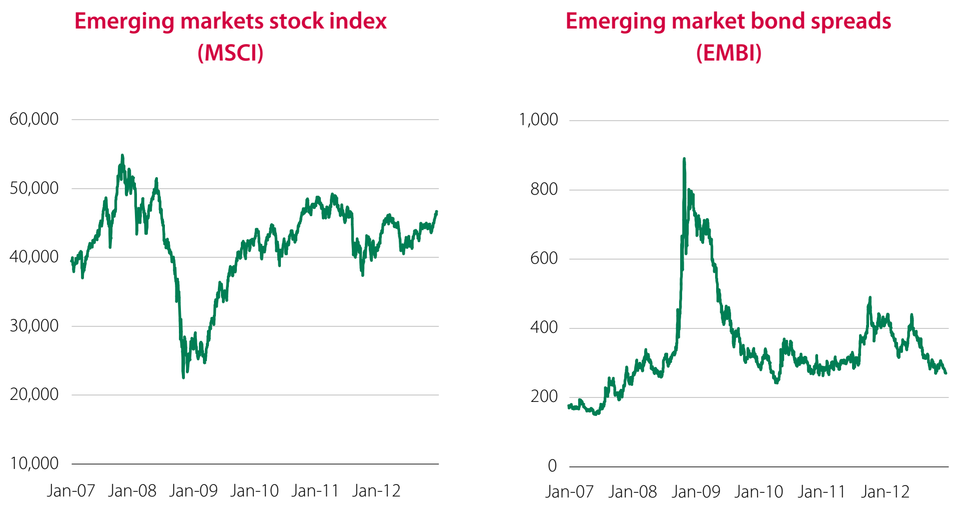
TABLE 9

Index		2009	2010	2011	2012	Q1 12	Q2 12	Q3 12	Q4 12 % prior qt.	Q4 12 % 30/12/11
Latin America										
Argentina	Merval	115.0	51.8	-30.1	9.5	9.0	-12.6	4.5	10.0	9.5
Brazil	Bovespa	82.7	1.0	-18.1	5.0	13.7	-15.7	8.9	0.7	5.0
Chile	IGPA	46.9	38.2	-12.4	3.6	10.3	-5.1	-2.5	1.5	3.6
Mexico	IPC	43.5	20.0	-3.8	16.1	6.6	1.7	1.7	5.3	16.1
Peru	IGRA	99.2	66.4	-16.7	3.5	21.3	-14.4	7.3	-7.0	3.5
Venezuela	IBC	57.0	18.6	79.1	305.2	70.6	26.1	22.3	53.9	305.2
Asia										
China	Shanghai Comp.	80.0	-14.3	-21.7	-2.2	2.9	-1.7	-6.3	3.1	-2.2
India	BSE	85.0	15.7	-25.7	28.9	15.6	-0.7	8.0	3.9	28.9
South Korea	Korea Cmp. Ex	49.7	21.9	-11.0	9.3	10.3	-7.9	7.7	-0.1	9.3
Philippines	Manila Comp.	63.0	37.6	4.1	30.5	16.8	2.7	1.9	6.8	30.5
Hong Kong	Hang Seng	52.0	5.3	-20.0	22.6	11.5	-5.4	7.2	8.5	22.6
Indonesia	Jakarta Comp.	87.0	46.1	3.2	12.7	7.8	-4.0	7.8	1.1	12.7
Malaysia	Kuala Lumpur Comp.	45.2	19.3	0.8	7.9	4.3	0.2	2.3	0.9	7.9
Singapore	SES All-S'Pore	64.5	10.1	-17.0	19.7	13.8	-4.4	6.3	3.5	19.7
Thailand	Bangkok SET	63.2	40.6	-0.7	32.5	16.7	-2.1	10.8	4.6	32.5
Taiwan	Taiwan Weighted Pr.	78.3	9.6	-21.2	8.9	12.2	-8.0	5.7	-0.2	8.9
Eastern Europe										
Russia	Russian RTS Index	128.6	22.5	-21.9	8.6	18.5	-17.5	9.3	1.7	8.6
Poland	Warsaw G. Index	46.9	18.8	-20.8	24.8	9.8	-1.1	7.2	7.3	24.8
Romania	Romania BET	61.7	12.3	-17.7	11.3	23.9	-15.7	4.3	2.2	11.3
Bulgaria	Sofix	19.1	-15.2	-11.1	1.7	-4.1	-5.2	10.6	1.1	1.7
Hungary	BUX	73.4	0.5	-20.4	5.2	9.8	-6.9	7.2	-4.0	5.2
Croatia	CROBEX	16.4	5.3	-17.6	-1.1	5.4	-7.6	1.3	0.3	-1.1

Source: Thomson Datastream. Data to 15 December.

Risk valuation in emerging economies

FIGURE 12



Source: Thomson Datastream and Bloomberg. Data to 15 December.

According to the World Federation of Exchanges (WFE), worldwide stock market trading volumes receded almost 24% between January and November 2012 (after varying by a bare -0.1% in 2011). The decline extended to all major regions, with trading down by 24.1% in the United States, 22.7% on Asian exchanges and 24.6% in Europe. Among the advanced economy markets, the trading contraction was least pronounced in Japan (-15.7%).

Trading volumes on main international stock markets

TABLE 10

Billion euros

Exchange	2009	2010	2011	2012[4]	Q1 12	Q2 12	Q3 12	Q4 12[4]
United States[1]	22,451	23,188	21,940	16,720	4,647	5,043	4,238	2,791
New York	12,627	13,553	12,866	9,639	2,639	2,866	2,478	1,655
Tokyo	2,656	2,872	2,831	2,438	723	667	608	440
London[2]	1,270	2,084	2,021	1,595	467	447	406	274
Euronext	1,383	1,533	1,520	1,148	321	335	301	191
Deutsche Börse	1,084	1,237	1,252	929	283	252	239	155
BME[3]	886	1,037	925	667	177	199	153	138

Source: World Federation of Exchanges and CNMV.

1 As of 2009, the sum of the New York Stock Exchange (NYSE), Euronext and Nasdaq OMX; previously the New York Stock Exchange, Nasdaq OMX and the American Stock Exchange.

2 Incorporating Borsa Italiana as of 2010.

3 Bolsas y Mercados Españoles. Not including Latibex.

4 Data corresponding to October and November, except BME, up to 15 December.

3 Spanish markets

3.1 Fixed-income markets

The progress of domestic debt markets was conditioned all year by the ongoing crisis in European sovereign debt, compounded since spring by investor reserves about the soundness of the Spanish banking sector.

In this generally unsettled climate, public and private debt yields widened in July to their highest point since the advent of the euro before easing back substantially, especially in the one to five year curve segment. Helping the turnaround was the ECB's announcement that it would resume its secondary market purchases of government bonds.

By the closing date for this report, yields on Spanish treasury bills were down to 1.1%, 1.8% and 2.4% in three, six and twelve-month terms respectively, after falls averaging 85 bp since June and 123 bp since the 2011 close (see table 11). The rundown was steepest in the third quarter and in the case of Letras del Tesoro maturing in more than one year, though note that their rates still stood 97 bp higher on average than the levels of last March.

Short-term interest rates[1] TABLE 11

%	Dec 09	Dec 10	Dec 11	Dec 12	Mar 12	Jun 12	Sep 12	Dec 12
Letras del Tesoro								
3 month	0.41	1.60	2.20	1.11	0.38	1.20	0.93	1.11
6 month	0.65	2.71	3.47	1.77	0.64	2.53	1.74	1.77
12 month	0.88	3.09	3.27	2.37	1.33	4.09	2.52	2.37
Commercial paper[2]								
3 month	0.76	1.37	2.74	2.89	2.49	2.69	2.85	2.89
6 month	1.25	2.52	3.52	3.64	3.21	3.40	3.56	3.64
12 month	1.63	3.04	3.77	3.85	3.55	3.64	3.69	3.85

Source: Thomson Datastream and CNMV. Data to 15 December.

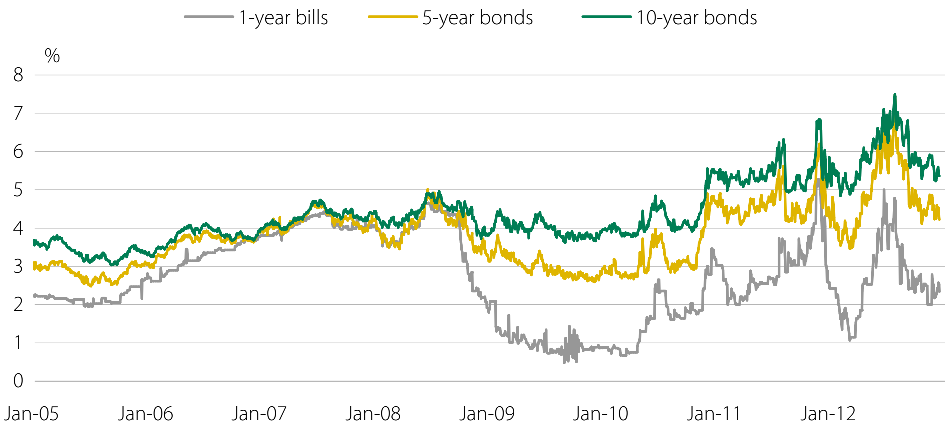
1 Monthly average of daily data.

2 Interest rates at issue.

At end-July, long government bond yields were at their highest levels since the introduction of the euro, running from 7.2% in the three-year maturity to 7.5% at ten years. This peak then gave way to a substantial decline which was most intense in the third quarter and the maturity band up to five years. Specifically, Spanish bond yields receded by 210 bp in the three-year tenor to 3.5%, 191 bp at five years to 4.4%, and 141 bp at ten years to 5.4% (see figure 13 and table 12). As with short-term rates, the second-half downtrend stopped short of restoring yields to the lows of last March, by 50 bp on average.

Spanish government debt yields

FIGURE 13



Source: Thomson Datastream. Data to 15 December.

Spain's sovereign risk premium, as derived from 5-year CDS, pulled back from its end-July peak of 640 bp, most firmly in September, as far as 290 bp in the month of December (see figure 14). Ten-years spreads between the Spanish and German bond declined in parallel, albeit by a more moderate margin, from near-on 635 bp in late July to December levels of around 400 bp. Aside from the progress made in the political and economic governance of the euro area, to which Spanish CDS would react more sensitively than the yield spread vs. the German bond, the more rapidly tightening spreads of the CDS market could owe to the damper effect on demand of the ban on naked CDS on European sovereign debt,[3] that is, on buying CDS without possession of the bond being insured. This, at least, can be inferred from the falling prices and net notional amounts of European CDS.[4]

The other salient development was the previously commented weakening of the correlation between returns on Spanish government bonds and shares (bank shares particularly) after the peak reached at end-July (see figure 7). A loosening link between the sovereign and private sector of the economy could well signal an improvement in financial stability conditions further ahead.

Moving on, rates on short-term corporate debt, as measured by commercial paper, held to the upward course initiated last March, as far as December levels from 2.9% to 3.9% depending on the curve point (see table 11). Conversely, long-term corporate debt yields, which had risen sharply in the second quarter, felt the indirect benefit of the ECB's third-quarter announcement and subsequent clarification of its new secondary market bond-buying programme, albeit far less so than sovereign instruments (see table 12). The result was that corporate bond yields ended the year at 5.2%, 5.8% and 7.6% in three, five and ten-year maturities respectively (on average 117 bp lower than in June when they commenced their descent).

3 *Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps*, available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:086:0001:0024:en:PDF.

4 See *Markit Sovereign Report October 2012*, Markit Credit Research.

Medium and long corporate bond yields[1] (%)

TABLE 12

	Dec 09	Dec 10	Dec 11	Dec 12	Mar 12	Jun 12	Sep 12	Dec 12
Public fixed-income								
3 year	1.95	3.87	4.01	3.51	2.76	5.39	3.88	3.51
5 year	2.67	4.65	4.65	4.38	3.83	6.07	4.84	4.38
10 year	3.75	5.38	5.50	5.39	5.17	6.59	5.92	5.39
Private fixed-income								
3 year	3.14	4.31	5.63	5.20	3.77	5.82	5.32	5.20
5 year	4.30	5.44	6.35	5.75	4.86	6.79	6.47	5.75
10 year	4.88	6.42	9.24	7.58	8.14	9.43	9.13	7.58

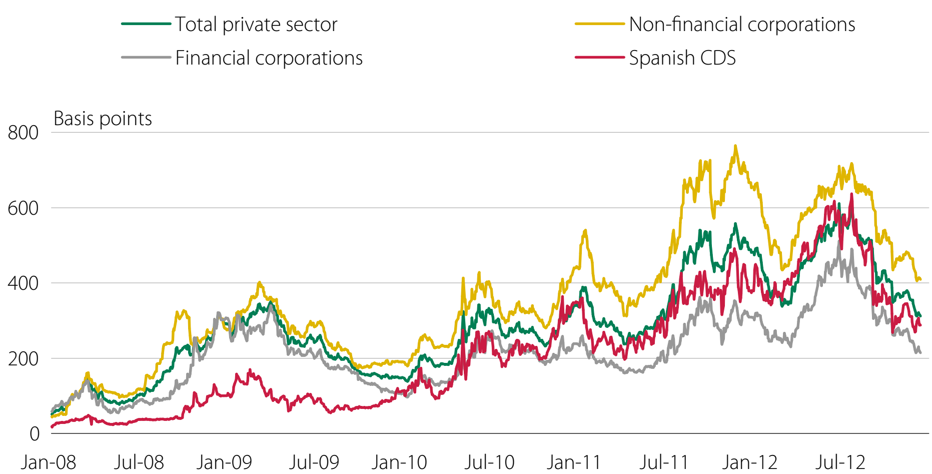
Source: Thomson Datastream, Reuters and CNMV. Data to 15 December.

1 Monthly average of daily data.

The credit spreads of Spanish financial and non-financial corporations tended to mirror the year-long progress of sovereign risk premiums (see figure 14). Hence the first-quarter dip, during which financial corporations benefitted especially from the ECB's two long-term refinancing operations in December 2011 and February 2012, was followed by a sharp rebound to end-July. The spike was of similar intensity in both sets of entities, and indeed marked a record high for non-financial corporations. The latters' spreads, however, promptly tightened back to just below the year's previous minimum, recorded in March. The result was that financial corporation credit risk premiums closed at 410 bp (well below their July peak of almost 720 bp and improving on the 435 bp of March), while those of non-financial corporations fell to 215 bp (improving on both July's record high of 510 bp and their March low of 230 bp). Note that these movements have taken the spreads paid by Spanish issuers back to where they stood before the turbulence outbreak of summer 2011.

Aggregate risk premium[1] based on the five-year CDS of Spanish issuers

FIGURE 14



Source: Thomson Datastream. Data to 15 December.

1 Levels for "Total private sector", "Financial corporations" and "Non-financial corporations" correspond to the simple average of component entities.

The narrowing of private debt yields over the third and fourth quarter, especially in the one to five-year segment, provided a more supportive climate for financial issuers to place their debt. However, some institutions have kept issuance activity low-key since March. This was partly a result of the ECB's aforementioned long-term refinancing operations, which allowed them to cover the bulk of their debt redemptions through to the end of the year.

The gross volume of fixed-income issues registered with the CNMV (to 15 December) came to 314.44 billion euros, 21% up on the same period in 2011 and 8.8% ahead of the final total for that year. Behind the increase was the leap in financial sector issuance of commercial paper, mortgage covered bonds and government-backed non-convertible bonds over the first nine months of 2012, offsetting the concurrent slump in issuance of asset-backed securities. Sales of the first three instruments, however, tailed off considerably in the closing quarter, in contrast to the renewed popularity of non-government guaranteed instruments and asset-backed securities, with even some international placements in this last case (see table 13).

Commercial paper sales amply surpassed the full-year total for 2011 at 129.03 billion euros, and accounted for 41% of annual issuance, 5.2 points more than in the previous year. The banks made increasingly active use of these funding instruments in the last quarter of 2011 and the first three quarters of 2012. Their issuance, however, was curtailed in the closing quarter, possibly because the lifting last September of a rule that penalized lenders for offering high-interest deposits, made these liability accounts more directly comparable to commercial paper from the standpoint of investors.[5]

Mortgage covered bond issuance also topped the previous year's totals, with 100.97 billion sold accounting for 32.1% of total issuance compared to 23.3% in 2011. Sales of territorial bonds, meantime, came to 8.97 billion euros or 2.9% of issue volumes in the year, compared to 7.7% in 2011. It bears mention that covered bond issuance thinned out considerably in the fourth quarter of 2012, with not a single issue of territorial bonds since the end of September.

Issuance of non-convertible bonds summed 49.72 billion euros in the first three quarters, more than doubling last year's figure of 20.19 billion and accounting for 15.8% of the 2012 total. At the forefront of this expansion were government-guaranteed bonds, which accounted for 85.7% of non-convertible sales in contrast to the 36.5% (7.36 billion euros) of 2011. Half of all government-backed bond sales year to date went through in February, in the days preceding the ECB's second three-year refinancing operation, and their issuance has ceased completely since the end of June. It follows that non-convertible issues in the second half, which were concentrated in the closing quarter, were confined to non-government guaranteed instruments.

5 See Law 9/2012 of 14 November on the restructuring and resolution of credit institutions, which repeals Royal Decree-Law 24/2012 of 31 August on the restructuring and resolution of credit institutions, among other regulations.

The 23.01 billion in asset-backed securities issued year to date was 64.8% less than in the equivalent period in 2011. Note, however, that issuance of these instruments recovered strongly in the closing quarter, with just over ten trillion euros placed to the closing date for this report. In contrast to the two preceding quarters, some of these issues were placed with international investors, though almost all were retained on the balance sheet of the domestic originator or seller. This revival may have been helped along by the ECB relaxing its eligibility conditions for asset-backed securities to serve as collateral in monetary policy operations.[6]

Turning finally to fixed-income instruments qualifying as regulatory capital, no mandatorily convertible bond issues took place in the third quarter in contrast to a fairly busy first-half period. Likewise preference share issuance dried up entirely in 2012. Use of these instruments was curtailed, in the first case, because they will no longer count as high-quality capital under the new prudential standards of Basel III, and, in the second, because of doubts about the losses to be borne by preference shareholders in entities under the majority control of the FROB.

Foreign issues by the international subsidiaries of Spanish banks fell by 35.6% to 62.12 billion euros to end-September 2012, the last period for which data are available (see table 13). There were, however, signs of increased movement in the third-quarter period, with an advance in long-term issuance that balanced out a renewed fall in short-term sales. The result was that long-term issues accounted for 60% of the year-to-date total.

6 In its Decision of 28 June 2012, amending Decision 2011/25 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral, the ECB lowered the ratings threshold for certain asset-backed securities to serve as collateral from A to BBB, provided that they have two such ratings, at issuance and at any time subsequently. To qualify, the ABS's underlying asset must belong to one of the following groups: i) residential mortgages, ii) loans to SMEs, iii) commercial mortgages, iv) auto loans and v) leasing and consumer finance. Also, valuation haircuts are retained at 16% for ABS with two ratings of at least single A, and increased for remaining ABS provided they meet the condition of having two ratings of at least BBB. The new haircuts are set at 32% for those backed by commercial mortgages and 26% for all the rest. For further information, see http://www.ecb.europa.eu/ecb/legal/pdf/en_ecb_2012_11_f_sign.pdf

Gross fixed-income issues

TABLE 13

filed[1] with the CNMV	2010	2011	2012[2]	2011 Q3	Q4	2012 Q1	Q2	Q3	Q4[2]
NOMINAL AMOUNT (million euros)	**226,449**	**288,992**	**314,436**	**38,435**	**113,496**	**120,740**	**91,425**	**60,680**	**41,591**
Mortgage bonds	34,378	67,227	100,970	5,250	23,743	26,000	33,350	29,800	11,820
Territorial bonds	5,900	22,334	8,974	7,437	10,162	3,200	4,100	1,674	0
Non-convertible bonds and debentures	24,356	20,192	49,726	981	13,312	31,305	15,231	91	3,099
Convertible/exchangeable bonds and debentures	968	7,126	2,720	0	4,944	1,128	1,592	0	0
Asset-backed securities	63,261	68,413	23,014	10,449	20,210	9,195	1,535	1,884	10,400
Domestic tranche	62,743	62,796	19,967	10,116	18,844	7,810	1,535	1,884	8,738
International tranche	518	5,617	3,048	334	1,366	1,385	0	0	1,663
Commercial paper[3]	97,586	103,501	129,031	14,317	41,125	49,911	35,617	27,230	16,273
Securitised	5,057	2,366	1,521	259	648	616	630	275	0
Other	92,529	101,135	127,510	14,058	40,477	49,295	34,987	26,955	16,273
Other fixed-income issues	0	0	0	0	0	0	0	0	0
Preference shares	0	200	0	0	0	0	0	0	0
Pro memoria:									
Subordinated debt issues	9,154	29,277	6,721	4,664	16,208	2,772	1,788	581	1,580
Covered issues	299	10	0	0	0	0	0	0	0

abroad by Spanish issuers **NOMINAL AMOUNT** (million euros)	2010	2011	2012[4]	2011 III	IV	2012 I	II	III[4]	IV
Long term	51,107	51,365	37,191	3,697	12,135	22,990	3,417	10,784	
Preference shares	0	0	0	0	0	0	0	0	
Subordinated debt	0	242	307	0	242	0	307	0	
Bonds and debentures	50,807	51,123	36,884	3,697	11,892	22,990	3,110	10,784	
Asset-backed securities	300	0	0	0	0	0	0	0	
Short term	76,624	68,677	24,927	10,241	11,492	14,458	6,678	3,791	
Commercial paper	76,624	68,677	24,927	10,241	11,492	14,458	6,678	3,791	
Securitised	248	322	27	36	114	0	27	0	
Total	**127,731**	**120,043**	**62,117**	**13,938**	**23,627**	**37,448**	**10,094**	**14,575**	

Source: CNMV and Banco de España.

1 Including those admitted to trading without an issue prospectus.

2 Data to 15 December 2012.

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

4 Available data to 30 September 2012.

3.2 Equity markets

3.2.1 Prices

Spain's stock markets felt the benefit of the calmer financial climate that followed the disruption of the year's middle months. Relief came mainly with the ECB's announcement last July of a new secondary market bond-buying programme whose mechanisms were clarified in the month of September. Also relevant was the CNMV's July decision to impose an immediate ban on trades involving the creation or increase of net short positions in Spanish shares in view of the extreme volatility prevailing. This ban was later renewed on 18 October and 1 November (for three months in the latter case)[7] in view of the exceptional situation of the Spanish financial system, immersed in writedowns, restructuring and recapitalisation.

The Ibex 35 followed up its 8.5% spurt in the third quarter with a more moderate rise of 4.1% to the closing date for this report (see table 14). Finally, the second-half rally could not do enough to offset the falls of the first two quarters (-6.5% and -11.3% respectively), leaving the index 6.3% lower year to date. Note, though, that the year-on-year slippage is a considerably more modest 1.9%.

Performance of Spanish stock indices TABLE 14

								Q4 12[1]		
%	2009	2010	2011	2012	Q1 12[1]	Q2 12[1]	Q3 12[1]	% prior qt.	% Dec	% y/y
Ibex 35	29.8	-17.4	-13.1	-6.3	-6.5	-11.3	8.5	4.1	-6.3	-1.9
Madrid	27.2	-19.2	-14.6	-5.7	-5.9	-11.0	8.2	4.1	-5.7	-1.2
Ibex Medium Cap	13.8	-5.6	-20.7	11.7	8.0	-10.0	4.0	10.4	11.7	17.3
Ibex Small Cap	17.6	-18.3	-25.1	-26.9	-10.3	-19.3	11.0	-9.0	-26.9	-28.7
FTSE Latibex All-Share	97.2	9.0	-23.3	-8.8	5.7	-11.7	2.6	-4.8	-8.8	-6.8
FTSE Latibex Top	79.3	9.7	-17.1	-0.8	10.1	-7.7	-1.2	-1.1	-0.8	1.6

Source: Thomson Datastream.

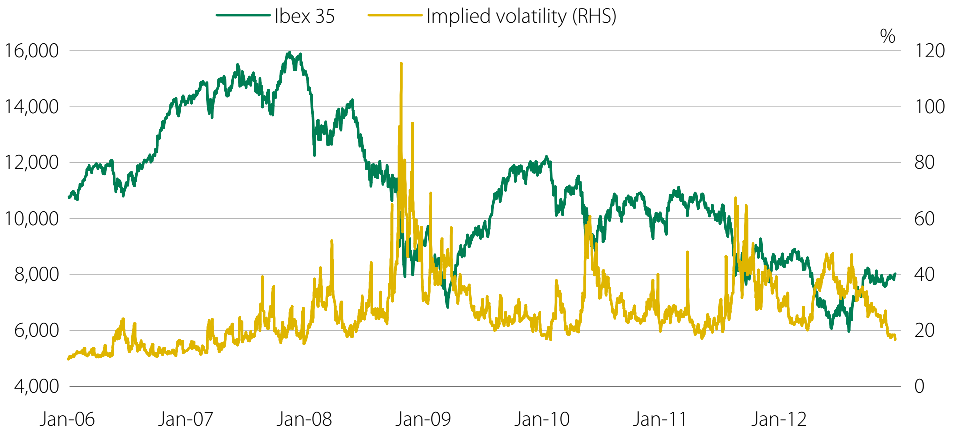
1 Change vs. previous quarter. Data to 15 December.

The medium cap index was the best performing domestic stock index in 2012 as well as the only one managing an overall advance. Specifically, this index posted the strongest second-half gain (14.9%) after the lowest first-half loss (-2.8%) to close 11.7% up on its opening value. Conversely, the small cap index sank 26.9% to the closing date for this report after the adverse performances of the first half and closing quarter (-27.6% and -9% respectively), separated by a brief third-quarter spike of 9%. The FTSE Latibex Top and FTSE Latibex All-Share indices of Latin American shares traded on domestic platforms fell by 1.1% and 4.8% respectively in the fourth quarter after the -1.2% and 2.6% of the preceding three months. First-quarter gains of over 5% in both cases gave way to a subsequent decline as far as full-year losses of 0.8% and 8.8%.

7 For more information on this measure, see www.cnmv.es

Ibex 35 volatility has come down sharply since July and the ECB's announcement that it would intervene in sovereign debt markets, whenever the monetary policy transmission mechanism was seriously disrupted and the integrity of the euro area placed at risk. The extreme volatility of markets, as remarked earlier, was behind the CNMV's decision on 23 July to impose a new ban on the short selling of listed Spanish shares for an initial period of up to three months; a measure which it subsequently extended on two occasions. This ban, and the ECB's release of detailed arrangements for its bond-buying programme, restored stock market volatility to more settled levels. By December, indeed, readings were down to below 20%, in contrast to the near 50% highs of May and late July (see figure 15).

Ibex 35 performance and implied volatility FIGURE 15



Source: Thomson Datastream and MEFF. Data to 15 December.

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

All sectors of the Madrid General Index (IGBM), with the exception of technology and telecommunications, posted gains in the closing quarter, prolonging the rally initiated the quarter before (see table 15). The biggest fourth-quarter advance corresponded to consumer services (10.9%, improving on the 2.4% of the third quarter), followed by oil and energy (9.3%, up from 5.8%), consumer goods (6.2%, down from 16.5%), basic materials, industry and construction (5.1%, on a par with the previous quarter) and, finally, financial and real estate services (2.9%, down from 11.5%). In this last group, the real estate sub-sector shed 23.2% of its value after the 36.5% surge of the third quarter. Looking at how each company has impacted on aggregate IGBM levels in the closing quarter, we can see that around half the index gain was supplied by the two largest cap banking groups (see table 16), while another major bank and the biggest listed technology and telecoms player together detracted 15 percentage points.

Performance of the Madrid Stock Exchange by sector and leading shares[1] TABLE 15

Annual %, unless otherwise indicated

	Weighting[2]	2011	Q1 12	Q2 12	Q3 12	Q4 12		
						% prior qt.	% Dec	% y/y
Financial and real estate services	**39.22**	-18.9	-7.7	-12.2	11.5	2.9	-7.0	0.2
Real estate and others	**0.10**	-47.5	-27.1	-34.7	36.5	-23.2	-50.1	-52.5
Banks	**37.44**	-20.3	-7.9	-11.4	6.2	7.5	-6.8	0.5
BBVA	**12.25**	-8.5	-10.7	-3.6	8.6	13.0	5.6	17.3
Santander	**20.84**	-23.3	0.4	-5.7	14.5	4.5	13.2	20.8
Oil and energy	**15.67**	-2.7	-12.6	-17.9	5.8	9.3	-17.0	-13.3
Iberdrola	**6.58**	-13.9	-9.3	-12.6	-0.6	12.4	-11.4	-8.9
Repsol YPF	**4.57**	13.8	-20.7	-29.7	19.4	6.1	-29.5	-24.9
Basic materials, industry and construction	**6.98**	-14.3	-8.5	-11.7	4.6	5.1	-11.2	-7.1
Construction	**3.78**	-6.9	-13.2	-12.2	4.0	8.9	-13.8	-9.9
Technology and telecommunications	**20.92**	-20.9	-6.5	-13.2	1.1	-0.7	-18.7	-17.3
Telefónica	**17.97**	-21.1	-8.2	-13.4	0.0	-1.8	-21.9	-20.6
Consumer goods	**12.63**	5.7	12.1	9.2	16.5	6.2	51.5	54.1
Inditex	**8.60**	12.9	13.5	13.5	18.5	7.1	63.6	64.9
Consumer services	**4.58**	-24.2	10.8	-12.1	2.4	10.9	10.6	15.2

Source: Thomson Datastream, Bolsa de Madrid and BME. Data to 15 December.

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

2 Relative weight (%) in the IGBM as of 1 January 2012.

At the time of writing, most sectors look set to close the year in negative terrain. In the rear so far are technology and telecommunications and oil and energy with price slides of -18.7% and -17% respectively, on top of the -20.9% and -2.7% of 2011. Meantime basic materials, industry and construction and financial and real estate services have recorded 2012 losses of -11.2% and -7%, improving on the -14.3% and -18.9% of 2011. In the latter sector, real estate operators performed worst of all, with a -50.1% tumble to add to the previous year's -47.5%. By contrast, the consumer goods sector powered 51.5% higher, compared to just 5.7% the year before, due in large measure to the international success of a single clothing firm, while the consumer goods sector reversed its fortunes and followed the previous year's -24.2% with a sturdy 10.6% gain. The biggest contributors to the IGBM's full-year losses were the aforementioned technology and telecommunications operator and, in smaller measure, the only oil company belonging to the index. The positive counterweight was provided by one consumer goods company, which in the last two years has risen to the head of its sector by market capitalisation, and, some way behind, Spain's largest bank. Their combined growth, however, was not enough to compensate the drag effect of the two preceding corporations (see table 16).

Shares with greatest impact on IGBM change[1]

TABLE 16

Share	Sector	Dec 2012			
		Change (p.p.)		Contribution to change (%)	
Positive impact		**prior qt.**	**Dec 11**	**prior qt.**	**Dec 11**
BBVA	Financial and real estate services	1.59	0.68	31.66	-15.56
Banco Santander	Financial and real estate services	0.94	2.76	18.64	-62.68
Iberdrola	Oil and energy	0.82	-0.75	16.34	17.07
Inditex	Consumer goods	0.61	5.47	12.18	-124.33
Repsol	Oil and energy	0.28	-1.35	5.52	30.67
Gas Natural	Oil and energy	0.24	0.04	4.70	-0.94
Acciona	Basic materials, industry and construction	0.17	-0.08	3.46	1.74
IAG	Consumer services	0.17	0.28	3.42	-6.32
Negative impact					
Banco Popular	Financial and real estate services	-0.42	-0.74	-8.46	16.94
Telefónica	Technology and telecommunications	-0.32	-3.93	-6.38	89.37
Bankia	Financial and real estate services	-0.18	-0.31	-3.64	7.16

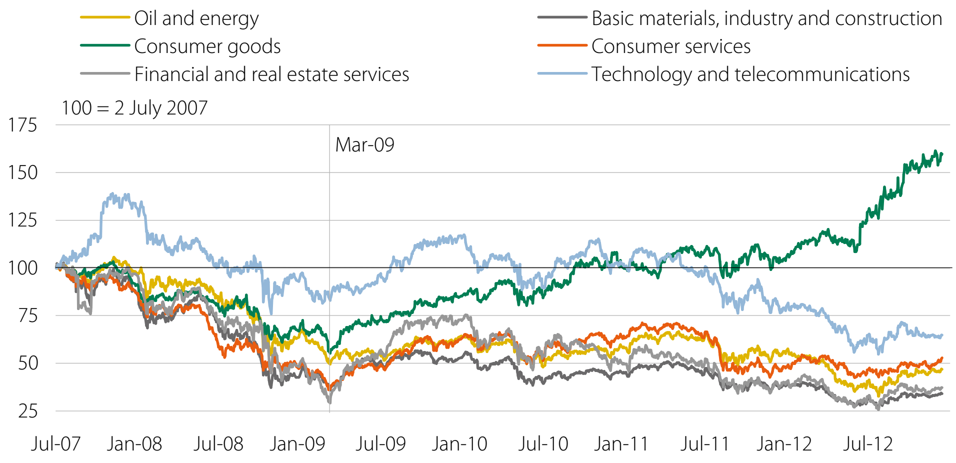
Source: Thomson Datastream and Bolsa de Madrid. Data to 15 December.

1 The shares listed are those having most impact (equal to or more than 0.15 points in absolute terms) on the quarterly change in the IGBM.

Since the subprime debacle of summer 2007, only one IGBM sector, consumer services, had managed to climb above its pre-crisis levels (by 60%) at the closing date for this report, while remaining sectors were still trading short by a sizeable margin, ranging from the -34% of basic materials, industry and construction to the -65% of technology and telecommunications.

Performance of IGBM sector indices

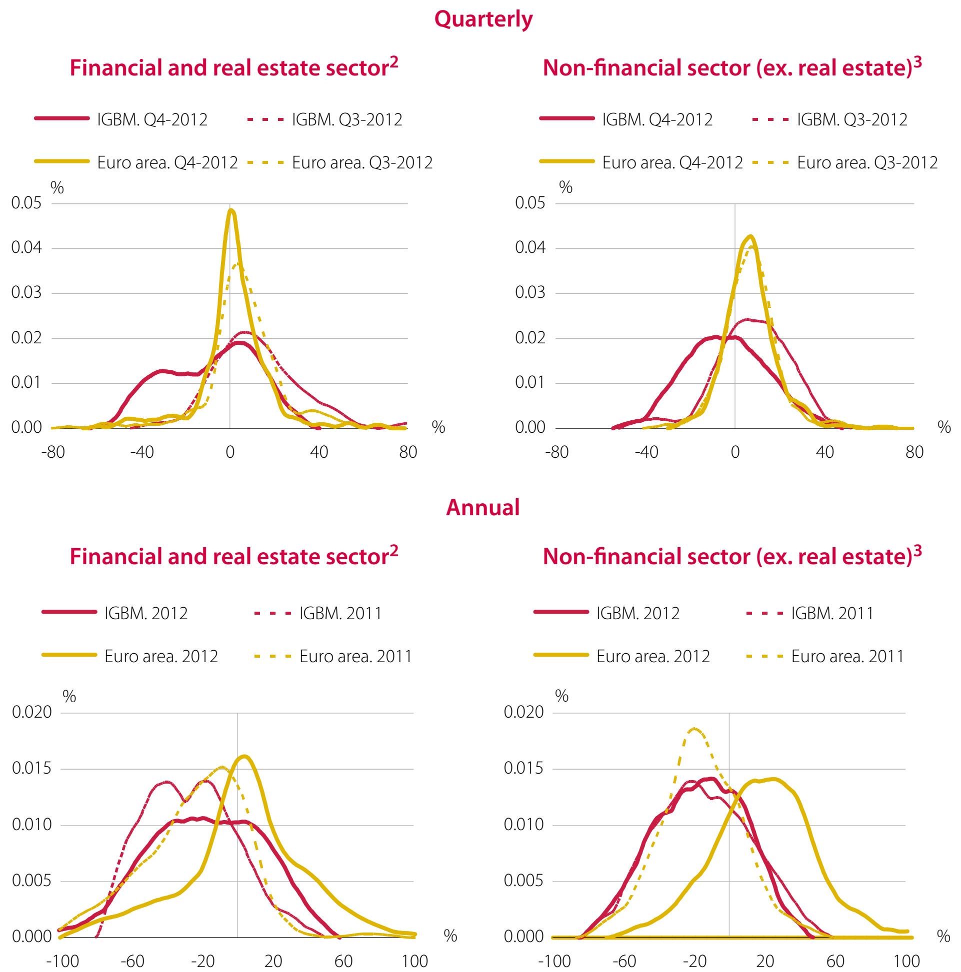
FIGURE 16



Source: Bolsa de Madrid. Data to 15 December.

The distribution of IGBM companies according to fourth-quarter movements in price, finds them predominantly in negative territory (see upper panels of figure 17). In effect, the proportion of companies recording price falls in the period rose from 16% to 59% of the total, with both financial and non-financial corporations sharing in the losses. This stands in contrast to the quarterly performance of euro-area listed companies, whose return distribution was essentially unaltered. A majority of Spanish listed firms closed the year 2012 in negative territory, with falls extending to a smaller number of financial corporations and a slightly higher percentage of non-financial corporations. In the euro area, conversely, the number of firms reporting full-year gains was higher than in 2011.

Distribution of share returns[1] FIGURE 17



Source: Bolsa de Madrid and Thomson Datastream. Data to 15 December 2012.

1 Analysis run on the companies forming each index on 15 December 2012, when the Spanish IGBM comprised 133 companies against the 1,384 of the euro-area index.

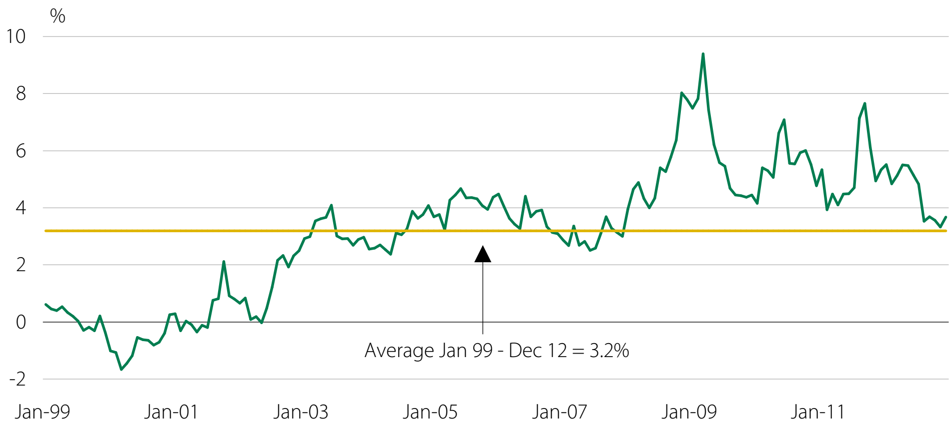
2 The financial and real estate sector comprises credit institutions, insurance undertakings, portfolio and holding companies, other investment service providers and real estate companies: 23 companies in Spain (20% of index members) against 335 (24%) in the euro area.

3 The non-financial sector (ex. real estate) comprises listed companies not included in the financial and real estate sector.

The price-earnings ratio (P/E) of the Ibex 35 edged down slightly in the closing quarter compared to the moderately advancing multiples of other advanced economy indices, after a third-quarter increase that was one of the largest among its peers. Finally the ratio closed at 11 times against the 11.1 of September and the 8.6 of June, ahead of its year-ago level of 9.2 and in line with the averages registered on other leading bourses. By component, we can say that the 2012 P/E of Spanish stocks has been conditioned more by worsening expectations for corporate earnings than by movements in price per share.

The earnings yield gap (indicating the risk premium on equity investment versus long-term government bonds) held relatively flat over the closing quarter, after a sharp third-quarter fall and, before that, a stable evolution over most of the first-half period. The year-long decline in the indicator owed mainly to the third-quarter spike in the Ibex P/E and, to a lesser extent, the narrowing bond yields of the same period. The result was a December gap of 3.7%, below the 5.5% of end-2011 and a little ahead of the 3.2% average recorded since 1999.

Earnings yield gap[1] of the Ibex 35 FIGURE 18



Source: Thomson Datastream.

1 Difference between stock market yield, taken as earnings/price and 10-year bond yields. Monthly data to 15 December.

3.2.2 Trading, issuance and liquidity

Trading on Spanish stock markets shrank by 25.2% versus the year-ago period (on data to 15 December) as far as 667.44 billion euros, amplifying the downtrend in place since end-2010 (see table 17). Average daily volume picked up slightly in the fourth quarter to 2.51 billion euros, but nonetheless trailed behind the 2.96 billion of the first-half period and the 3.62 billion of full-year 2011.[8] The trading contraction of the second half and, more so, the third quarter, can be presumed to be partly due to the introduction of the short-selling ban.

Equity issuance on domestic markets amounted to 21.11 billion, ahead of the 17.32 billion of the previous year. But while much of the cash raised last year derived from the subscription of shares in *caja de ahorro* initial public offerings, the source in 2012 was mainly the conversion to ordinary shares of hybrid instruments issued beforehand by the banks (mandatorily convertible bonds, preference shares and other kinds of subordinated debt) as a means to strengthen their regulatory capital.

8 Average daily trading in 2008, 2009 and 2010 came to 4.89, 3.49 and 4.05 billion euros respectively.

In addition, one Spanish banking major concluded a successful capital increase in November to make up the shortfall identified in last summer's stress tests.

Trading volumes on the Spanish stock market

TABLE 17

Million euros

	2010	2011	2012	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12[1]
All exchanges	**1,037,284**	**925,667**	**667,443**	**234,262**	**206,281**	**176,948**	**198,709**	**153,483**	**138,303**
Electronic market	1,032,447	920,879	663,076	233,070	204,922	175,640	197,536	152,438	137,463
Open outcry	165	48	40	11	7	17	7	8	8
of which SICAV[2]	8	6	-	1	0	0	0	0	0
MAB[3]	4,148	4,380	4,025	1,088	1,278	1,218	1,104	947	755
Second market	3	2	0	0	1	0	0	0	0
Latibex	521	358	302	93	73	73	62	90	77
Pro memoria: non-resident trading (% all exchanges)									
	75.3	81.3	n.a.	85.5	81.9	73.7	80.1	n.a.	n.a.

Source: CNMV and Directorate-General of Trade and Investments.

1 Cumulative data from 1 October to 15 December.

2 Open-ended investment companies.

3 Alternative investment market. Data from the start of trading on 29 May 2006.

n.a.: data not available at the closing date for this report.

Equity issuance[1]

TABLE 18

				2011		2012			
	2010	2011	2012	Q3	Q4	Q1	Q2	Q2	Q4[2]
CASH AMOUNT[3] (million euros)	**16,013**	**17,317**	**21,109**	**6,336**	**2,946**	**3,367**	**5,338**	**5,415**	**6,989**
Capital increases	15,407	17,221	19,878	6,336	2,850	3,367	5,288	5,010	6,213
Of which, IPOs	959	6,441	2,457	8	2,737	873	1,509	75	0
Domestic tranche	62	6,032	2,457	8	2,685	873	1,509	75	0
International tranche	897	410	0	0	52	0	0	0	0
Public offerings	606	96	1,231	0	96	0	51	405	776
Domestic tranche	79	95	1,231	0	95	0	51	405	776
International tranche	527	1	0	0	1	0	0	0	0
NO. OF FILINGS[4]	**69**	**92**	**102**	**26**	**26**	**24**	**26**	**27**	**25**
Capital increases	67	91	99	26	26	24	25	26	24
Of which, IPOs	12	8	7	3	2	5	1	1	0
Of which, bonus issues	15	22	23	8	7	2	6	9	6
Public offerings	3	2	3	0	1	0	1	1	1
NO. OF ISSUERS[4]	**46**	**46**	**64**	**22**	**15**	**14**	**15**	**19**	**16**
Capital increases	45	45	63	22	15	14	15	19	15
Of which, rights offerings	12	8	7	3	2	5	1	1	0
Public offerings	2	2	3	0	1	0	1	1	1

Source: CNMV.

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

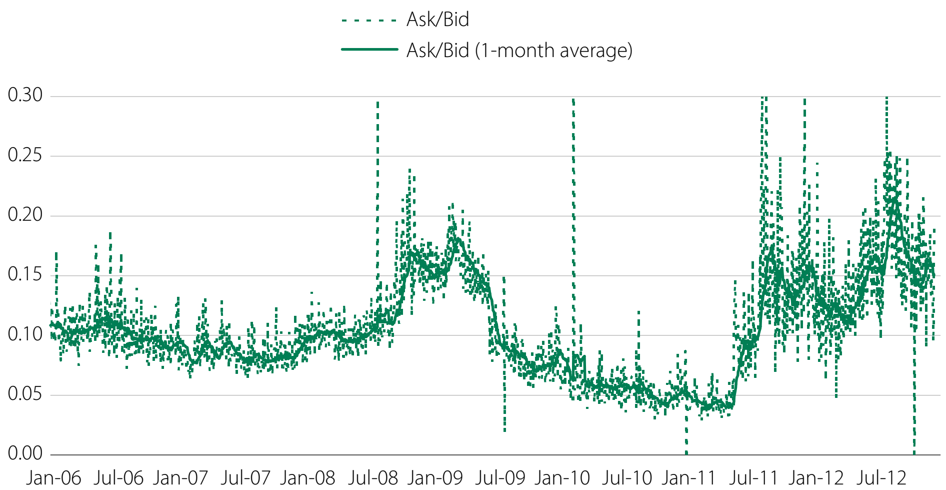
2 Cumulative data from 1 October to 15 December.

3 Excluding amounts recorded in respect of cancelled transactions.

4 Including all transactions registered, whether or not they eventually went ahead.

Finally, liquidity conditions in the Spanish stock market, as measured by the bid/ask spread, improved considerably from September on after a period of deterioration possibly brought on by the CNMV's precautionary ban on the creation or increase of net short positions in listed Spanish shares. By December, spreads were down to 0.15% compared to 0.21% at the end of August - their highest since the series was begun in 2003. These December levels are in line with those of end-2011 (0.16%) but still substantially ahead of the average recorded since 2003 (0.10%).

Liquidity indicator (bid/ask spread, %) of the Ibex 35 FIGURE 19



Source: Thomson Datastream. Data to 15 December.

II Reports and analyses

Economic and financial performance of listed companies in the first half of 2012

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1 Introduction

This article gathers and analyses the key highlights of the periodic financial information[1] for the first half of 2012 submitted to the CNMV by issuers.

The aggregate information analysed relates to the results, financial position, cash flows, number of employees and dividends paid. The 160 companies analysed operate in the following sectors: energy (10 companies), manufacturing (48 companies), retail and services (45 companies), construction and real estate (30 companies), banks (21 companies), savings banks (4 companies) and insurance (2 companies).

The analysis is carried out on the following basis:

– The data for analysis are obtained from the consolidated or individual periodic financial reports[2] submitted to the CNMV by the issuers of shares or debt[3] that are listed on a regulated Spanish market, where Spain is the home Member State.

– The aggregate figures exclude issuers that are subsidiaries of another listed group. However, when such issuers carry on their activity in a sector other than that of the parent company, their financial data are included in the figures for their sector.

– Data relating to periods other than the first half of 2012 have been calculated for the representative sample of the companies that were listed in the reference period.

In section 2 of this article we analyse the development of turnover since 2008, in sections 3 and 4 we present the behaviour of earnings and the return on equity and investment. In section 5, we look at the debt of non-financial companies. In section 6, we analyse the non-performing loans and solvency of credit institutions, and in sections 7, 8 and 9, we present the development of cash flows, workforce and dividends paid, respectively. The last section presents the article's main conclusions.

1 As provided in Article 35 of the Securities Market Act 24/1988 of 28 July, when Spain is the home Member State, issuers whose shares or debt securities are admitted to trading on an official secondary market or on another regulated market in the European Union must publish and disseminate a half-yearly financial report and a second financial report covering the full financial year.

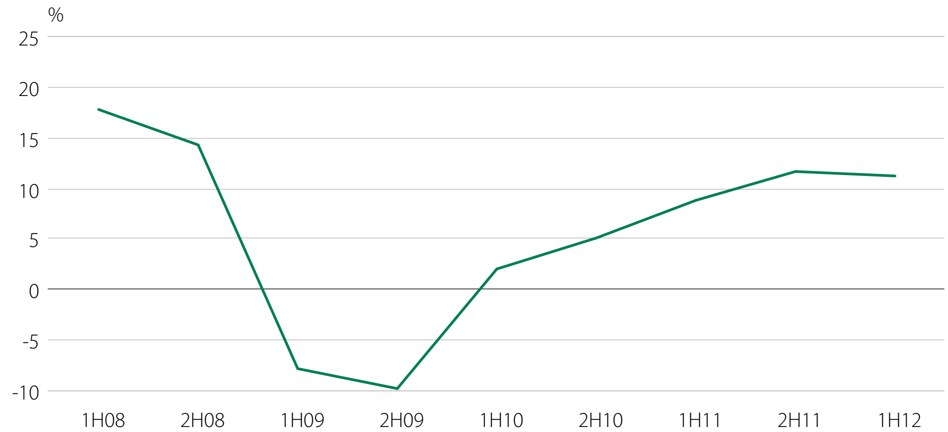
2 Submitted in the form stipulated in Circular 1/2008.

3 Except for entities that have issued preferred shares and other special purpose entities constituted for the issuance of fixed-income securities.

2 Net turnover

Figure 1 shows the year-on-year rates of change in turnover[4] since the first half of 2008. The year-on-year rate of change slowed slightly in the first half of 2012, by 0.4 percentage points to 11.2%, reversing the upward trend which began in 2010.

Rate of change in net turnover FIGURE 1

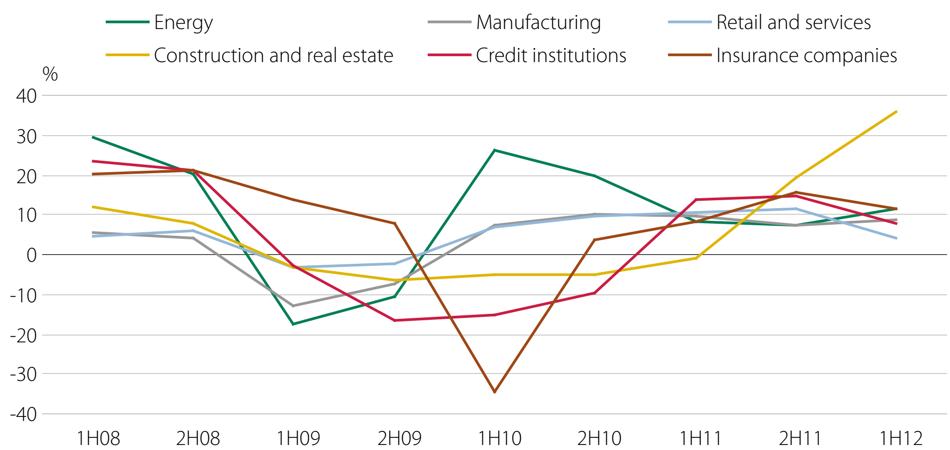


Source: CNMV.

Figure 2 shows the development of net turnover for the different sectors. All sectors recorded positive year-on-year rates of change in the first half of 2012.

The energy sector and the construction and real estate sector recorded the highest rates of change over the period, of 11.6% and 35.9%, respectively. For its part, the retail and services sector recorded the most moderate progress, with a 4% rise in revenue, seven percentage points lower than that recorded at year-end 2011.

Rates of change in turnover by sector FIGURE 2



Source: CNMV.

4 For credit institutions, net turnover has been taken to comprise interest and similar revenue, and for insurance companies, premium income for the year from life and non-life insurance, net of reinsurance.

By sector, the highlights in the first half of 2012 were as follows:

– **Energy.** Net turnover rose by 11.6% on the same period of the previous year. However, the trend over the six months varies with the different businesses conducted by energy firms.

  Turnover rose significantly in liberalised activities due to the rise in the price of energy resulting from the increase in the price of raw materials and lower hydraulic production. For their part, the regulated electricity and gas businesses (transmission and distribution of electricity and gas) saw revenue fall following publication of Royal Decree-Law 13/2012, which reduces the remuneration applicable to their assets as from 1 January 2012. This effect was partially offset by the growth in this business outside Spain.

  The rise of the US dollar and the pound sterling over the period also had a positive effect on the increase in turnover.

– **Manufacturing.** Turnover grew by 8.7%, although the different sub-sectors performed unevenly. There was a noteworthy improvement in the sub-sectors of other manufacturing industries and metal processing as a result of: (i) strong activity in the construction and sale of wind farms; (ii) expansion of the foreign business of textile industries; (iii) the effects of business combinations; and (iv) the development of energy and industrial plant projects in Latin America.

  However, the sales of the sub-sectors of base metals and companies related to the construction business and of pharmaceutical companies were lower than in the first half of 2011, as a result of: (i) the evolution of the construction market, above all in Spain; (ii) the ongoing fall in nickel prices, which had a negative effect on sales prices in the stainless steel market; and (iii) the measures to contain health spending and promote the use of generic medicines adopted by the Government in August 2011.

– **Retail and services.** Net turnover grew by 4%, lower than the rates recorded in 2010 and 2011. The communications sub-sector, which accounts for approximately 60% of the sector's revenue, maintained its turnover at similar levels to those of the comparison period (with a rise of 0.3%), as the lower turnover in Europe was largely offset by a rise in sales in Latin America. If we exclude this sub-sector, companies in the retail and services sector would have increased their turnover by 7.7%.

– **Construction and real estate**. The net turnover of this sector recorded growth of 35.9% in the first half of 2012 compared with the same period of the previous year. However, this high rate of change essentially reflects the effect of one corporate operation completed by one construction company in June 2011. With comparable data in both periods, the growth in turnover fell to 3.9%, and was positive both in real estate companies (16.4%) and in construction companies (3.6%).[5]

5 The rate of growth in turnover in comparable terms was calculated by taking as a reference the sales volume of the acquired company between January and May 2011.

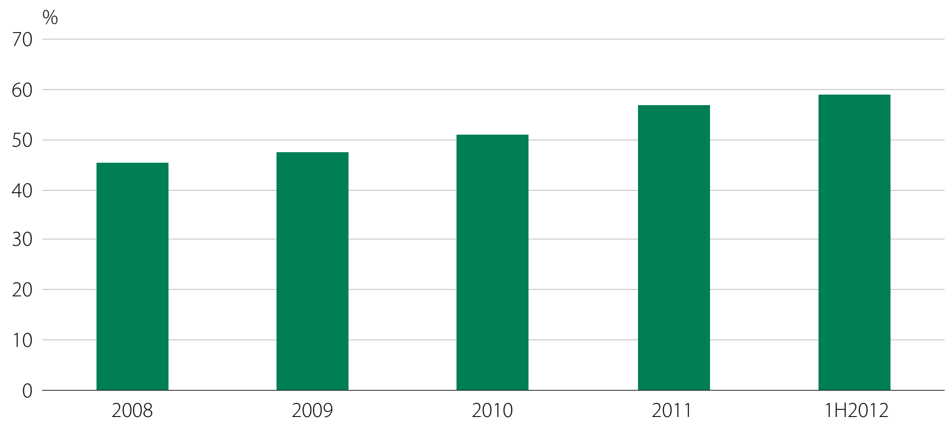
The growth in the turnover of real estate companies was mainly the result of significant sales of real estate assets by one company to management vehicles of this type of asset linked to financial institutions as part of the process of restructuring and settling its debt with said institutions. Without taking into account these sales, the turnover of real estate companies fell by 17.1%, reflecting the sharp drop in sales in the residential property development business.

– **Credit institutions.** Aggregate revenue from interest and similar revenue recorded by credit institutions rose by 7.8% compared with the first half of 2011. However, this rate of change, which took place in the context of the fall in the Euribor and the increase in the NPL ratio, represents a slowdown in the rate of growth compared with the two previous six-month periods. The increase recorded in the first half of the year was the result of (i) the increase in revenue obtained from lending to the public sector, (ii) the increase in spreads applied to new lending and (iii) partially passing on the significant fall in the Euribor to the mortgage loan portfolio, specifically the loans with annual rate review clauses which had not yet been updated at the end of the first half of the year, and to those affected by activation of so-called "floor clauses".

– **Insurance companies.** The amount of premiums net of reinsurance rose by 11.1% compared with the first half of 2011 for non-life insurance, and 12.2% for life insurance, as a result of the positive performance of the international business (with a 30% increase in premiums), which offset the 5% fall in revenue from premiums from business in Spain.

Figure 3 shows the percentage of the net turnover generated abroad for non-financial companies since 2008. The upward trend in the percentage recorded over recent six-month periods continued in the first half of 2012, with foreign operations generating 58.9% of total net turnover. Figure 3 shows the considerable increase in this percentage over recent years. This is even more significant if we compare it with the proportion achieved in 2003 (32.3%), the first year for which this information is available.

Net turnover generated abroad of non-financial companies FIGURE 3



Source: CNMV.

Table 1 shows the geographical distribution of the net turnover of non-financial companies by sector.

It is worth noting that the relative weight of domestic sales in the energy sector rose in the first half of 2012. This was exclusively due to the effect of the discontinued operations of one issuer in Argentina. The proportion of sales in international markets rose for the other companies in this sector.

The contribution of domestic sales to the volume of revenue in the construction and real estate sector fell in the first half of the year by eight percentage points compared with year-end 2011, which is largely due to the aforementioned corporate operation which took place in 2011. In comparable terms,[6] we can see that the relative proportion of domestic activity in the sector continued to fall, on this occasion by four percentage points, as a result of the sluggish residential and civil construction market in Spain.

Net turnover of listed non-financial companies: percentage of net turnover from foreign operations TABLE 1

	2008	2009	2010	2011	1H2012
Energy	42.5	43.3	44.8	47.0	44.8
Manufacturing	59.3	62.6	65.8	69.0	72.4
Retail and services	50.1	51.1	57.1	62.5	64.7
Construction and real estate	36.2	38.4	44.5	59.1	67.4
Subtotal, non-financial companies	45.5	47.4	51.0	57.0	58.9

Source: CNMV.

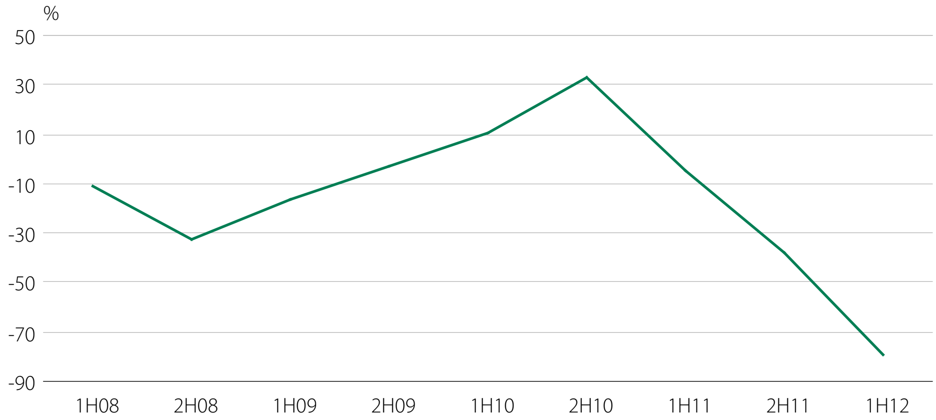
3 Results

Figure 4 shows the year-on-year rates of change in the aggregate profit (loss) before tax for continuing operations[7] since the first half of 2008. The downturn in aggregate profit (loss) in 2011 became more severe in the first half of 2012.

6 In order to compare the figures on a uniform basis, we have taken into account the sales figures of the acquired company in the period from January to May 2011.

7 Profit or loss before tax, excluding the results of discontinued activities, which are generally significant business lines or geographical areas which the company has either disposed of, or plans to dispose of, within the next twelve months.

Year-on-year rate of change of profit (loss) before tax FIGURE 4



Source: CNMV.

The number of companies recording losses in the first half of 2012 stood at 67, compared with 57 at year-end 2011. Similarly, the aggregate amount of losses in the first half of 2012 totalled 11.17 billion euros, compared with 5.43 billion euros in 2011.

The increase in the amount of losses in the first half of 2012 is the result of the performance of the financial sector, where six companies recorded losses for a total of 7.38 billion euros. As has been common in recent years, the greatest number of loss-making companies can be found in the construction and real estate sector. Specifically, 21 companies in this sector recorded losses of 2.65 billion euros.

The worsening results were seen across the board for the companies in the sample. The percentage of companies which improved their results in the first half of 2012 compared with the same period of the previous year stood at 23.2%, 12 percentage points lower than at year-end 2011.

Table 2 shows the main margins of the income statements corresponding to the first half of 2012 and the same period of 2011. The figures analysed performed unfavourably in all sectors, except for the operating profit of the manufacturing sector, and EBITDA both in this sector and in the construction and real estate sector.

EBITDA[1], operating profit and profit for the year

TABLE 2

Million euros	EBITDA			Operating profit			Profit (loss) for the year		
	1H2011	1H2012	Change (%)	1H2011	1H2012	Change (%)	1H2011	1H2012	Change (%)
Energy	14,227	14,222	0.0	9,652	9,235	-4.3	6,129	5,827	-4.9
Manufacturing	3,464	3,886	12.2	2,321	2,643	13.9	1,530	1,514	-1.0
Retail and services	15,972	14,792	-7.4	8,997	7,521	-16.4	5,199	3,019	-41.9
Construction and real estate	3,641	3,850	5.7	2,409	2,113	-12.3	1,006	-2,093	–
Credit institutions	–	–	–	11,631	-2,858	–	9,365	-2,809	–
Insurance companies	–	–	–	–	–	–	780	705	-9.6
Total[2]	**37,220[3]**	**36,746[3]**	**-1.3[3]**	**34,980[4]**	**18,699[4]**	**-46.5[4]**	**24,022**	**6,234**	**-74.0**

Source: CNMV.

1 EBITDA = Operating profit/loss + depreciation/amortisation of fixed assets.

2 For groups, the total only includes the consolidated data provided by the parent company, excluding any other listed company in the group. The total may differ from the sum of the values shown for each sector as a result of the adjustments made.

3 Excluding credit institutions and insurance companies.

4 Excluding insurance companies.

EBITDA of companies in the non-financial sector fell by 1.3%, following the fall of 13.2% recorded in 2011. Despite the improvement, this rate of change continues to show that operating margins are tightening.

Profits for the year fell by 74%. This percentage was greater than the fall in EBIT (46.5%) as a consequence, *inter alia*, of the following factors:

– The increase in companies' financial expenses as a result of the increases in interest rates charged by credit institutions when granting or renewing financing.

– The losses of companies accounted for using the equity method, an item which includes the results of associates attributable to the investor and the impairments recorded in the investment in the associate company.

– The losses recorded for the impairment of the portfolio of available-for-sale assets.

By sector, the highlights were as follows:

– **Energy**. The increase in revenue recorded in the first half of 2012 was not passed on to operating margins as procurement costs were driven by the generation mix (increase in conventional thermal production and fall in hydraulic production), the higher price of energy acquired in the wholesale market for sale and the reduction in the value of inventory of the downstream businesses (refining and marketing).

Consequently, EBITDA remained constant, while EBIT fell by 4.3% due to the increase in depreciation as a result of the start-up of the new plants. Profits for the year fell by 4.9%, in line with the fall in operating profit.

– **Manufacturing.** The increases in EBITDA (12.2%) and EBIT (13.9%) were higher than the growth in the sales figures (8.7%), mainly as a result of the measures to contain operating costs and the subsequent increase in operating margins.

  However, net profit in the first half of 2012 fell by 1% in comparison with the same period of the previous year, as a result of: (i) higher financial expenses, (ii) lower profits for discontinued operations and (iii) a higher corporate income tax expense.

– **Retail and services.** Despite the growth in turnover (4%), EBITDA fell by 7.4% due to a higher rise in operating costs, among which we can highlight the increase in the procurement costs in airlines as a result of the rise in the price of fuel and the 9.5% increase in staff costs as a result of the increased activity of airlines, company acquisitions and staff restructurings carried out in 2012.

  Profit before tax fell by 36.6%, a greater percentage fall than that of EBIT and EBITDA, as a result of: (i) the increase in financial expenses due to the evolution of interest rates; (ii) the increase in the impairment of the securities portfolio; and (iii) the losses obtained in the disposal of financial instruments and the losses of associates.

  The increase in the effective rate of corporate income tax, which rose from 25.7% to 28.2%, and the drop in profits for discontinued operations led to net profit falling by 41.9%.

– **Construction and real estate.** EBITDA for the sector rose by 5.7%, but if we exclude from the sample the company which conducted the corporate operation referred to above, EBITDA fell by 16.3% compared with the same period of the previous year (-12.7% in the case of the construction sub-sector). This fall is essentially the result of the reduction in profits from the disposal of assets of construction companies.

  EBITDA in the real estate sub-sector in the first half of 2012 was negative, as in the same period of the previous year. The loss rose by 49.2%, mainly as a result of the significant impairment of real estate assets recorded in the first half of 2012.

  The loss before tax in the first half of 2012 (2.81 billion euros) contrasts with the profit in the same period of the previous year (1.29 billion euros). The loss was caused by the heavy losses incurred on disposing of shares in listed companies, as well as losses recorded as a result of the impairment of the available-for-sale portfolio.

  Finally, the loss for the year stood at 2.09 billion euros, compared with a profit in the same period of the previous year of 1.01 billion euros. However, the loss for the year was better than the loss before tax thanks to the lower losses recorded for discontinued operations and the impact of the activation of tax credits.

– **Credit institutions.** The aggregate interest margin in the first half of 2012 grew by 10.2% compared with the same period of 2011, following four consecutive six-month periods of falls and stagnation. It is important to highlight the positive effect resulting from the provision of liquidity by the European Central Bank (ECB) through the two special three-year refinancing operations which took place in December 2011 and February 2012. These operations not only served to mitigate the liquidity tensions suffered by some companies in a context in which wholesale funding markets were almost closed, but they also helped to improve the interest margin as the funds raised - at an interest rate of 1% - were mostly used to acquire assets issued by the public sector, which were remunerated at higher interest rates. Similarly, the relaxing of liquidity tensions made it possible to pass on the progressive fall in interest rates to the cost of the deposits raised. For their part, net commisions rose by 1.1%.

  The results of credit institutions plummeted in the first half of the year, recording operating losses of 2.86 billion euros, compared with a profit of 11.63 billion euros in the first half of 2011. This performance can be explained by an increase in all the components of operating costs: staff costs, general expenses, depreciation/amortisation and provisions and, especially, impairment losses on financial assets. Impairment losses were already recorded in the first half of 2011 but they rose by 150.8% as a result of application of Royal Decree-Law 2/2012 and Royal Decree-Law 18/2012.[8] The efficiency ratio worsened from 42.4% to 46.7% as a result of the specific increases in staff costs and general expenses in some companies, which were related to their international activity or the absorption of other entities in merger processes.

  Finally, credit institutions recorded a loss before tax of 5.75 billion euros, compared with a profit before tax of 11.36 billion euros recorded in the first half of 2011. The losses for impairment of non-current assets held for sale (which include foreclosed assets) and other assets further increased losses before tax.

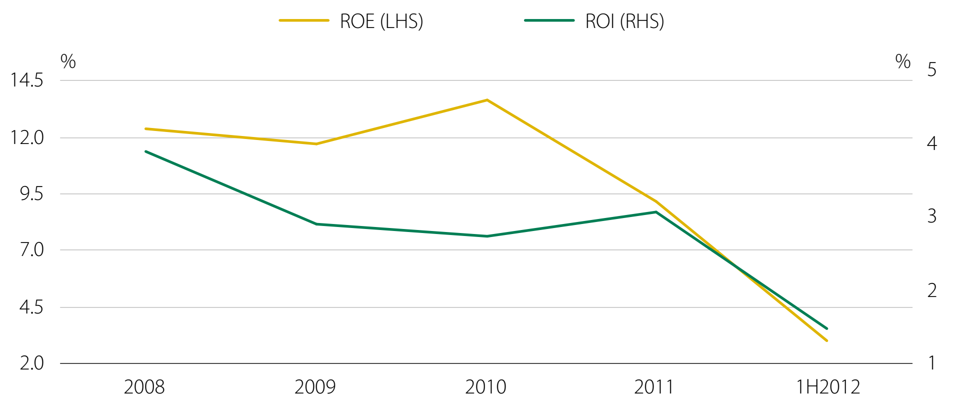
– **Insurance companies.** The aggregate profit of the technical account of the non-life insurance business fell by 4%, and the aggregate profit of the life insurance business fell by 6.9%. In both cases this was due to the fact that the increase in revenue from premiums was not enough to offset the increase in claims and net operating expenses. Consequently, aggregate net profit in the first half of 2012 was 9.6% lower than that recorded in the same period of 2011.

8 As part of the restructuring and reorganisation process of the financial sector, the following Royal Decree-Laws were passed in the first half of 2012: Royal Decree-Law 2/2012, which provides for additional requirements for capital and provisions in response to the impairment of assets linked to real estate development, and Royal Decree-Law 18/2012, which establishes additional provisions for real estate lending classified as in a "normal situation".

4 Return on equity (ROE) and return on investment (ROI)

Figure 5 shows the ROE and ROI[9] since 2008. ROE and ROI, after annualising the results of the first half of 2012, stood at 3% and 1.5%, respectively, the lowest levels since these ratios were first calculated (2004).

ROE and ROI FIGURE 5



Source: CNMV.

Tables 3 and 4 show the trend of ROE and ROI respectively for the different sectors. The downward trend in ROE and ROI which began in 2010 continued in the first half of 2012 in all sectors, except in the energy and manufacturing sectors, which saw a slight improvement compared with the returns obtained in 2011.

The fall in the return on equity and the return on investment was sharp in the affected sectors, as shown in tables 3 and 4 and was caused by the drop in profits over the first half of 2012.

ROE TABLE 3

%	2008	2009	2010	2011	1H2012
Energy	19.5	13.2	16.2	10.7	11.1
Manufacturing	10.6	6.3	13.8	10.4	11.0
Retail and services	20.1	19.3	21.9	16.4	10.9
Construction and real estate	-17.6	3.7	6.6	-0.7	-15.7
Credit institutions and insurance companies	13.0	10.4	10.3	7.1	-2.1
Total	**12.4**	**11.7**	**13.6**	**9.2**	**3.0**

Source: CNMV.

9 For the definitions of ROE and ROI used in this article, see "Economic and financial performance of listed companies in the first half of 2009", by Belén de Anta Montero and Óscar Casado Galán, published in the CNMV fourth-quarter bulletin 2009 (pp. 39-54, available at http://www.cnmv.es/DocPortal/Publicaciones/Boletin/BulletinQIV_weben.pdf).

ROI TABLE 4

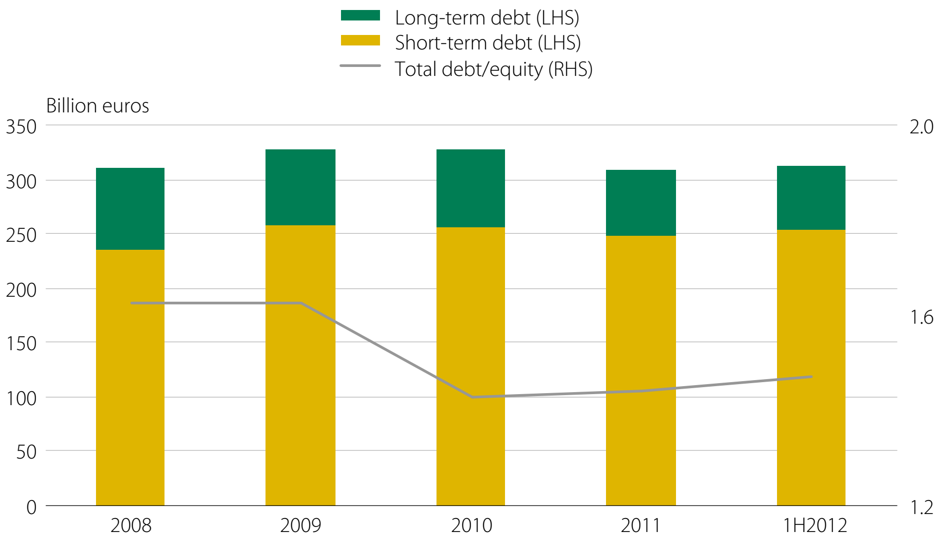
%	2008	2009	2010	2011	1H2012
Energy	10.5	7.2	9.1	6.0	6.3
Manufacturing	7.7	4.9	9.1	7.4	7.6
Retail and services	8.3	7.7	9.4	7.8	5.6
Construction and real estate	0.4	3.2	4.5	2.9	-0.4
Credit institutions and insurance companies	3.8	2.5	2.0	2.4	0.8
Total	**3.9**	**2.9**	**2.7**	**3.1**	**1.5**

Source: CNMV.

5 Debt

Figure 6 shows the trend of gross financial debt[10] for the non-financial companies in the sample.

Debt structure and leverage ratio of non-financial listed companies FIGURE 6



Source: CNMV.

In the first half of 2012, aggregate gross financial debt totalled 312.91 billion euros, a slight increase of 1.3% on the end of the previous year. For its part, the percentage of short-term debt remained in line with that recorded at year-end 2011 (19.8%) and stood at 19.1% in the first half of 2012.

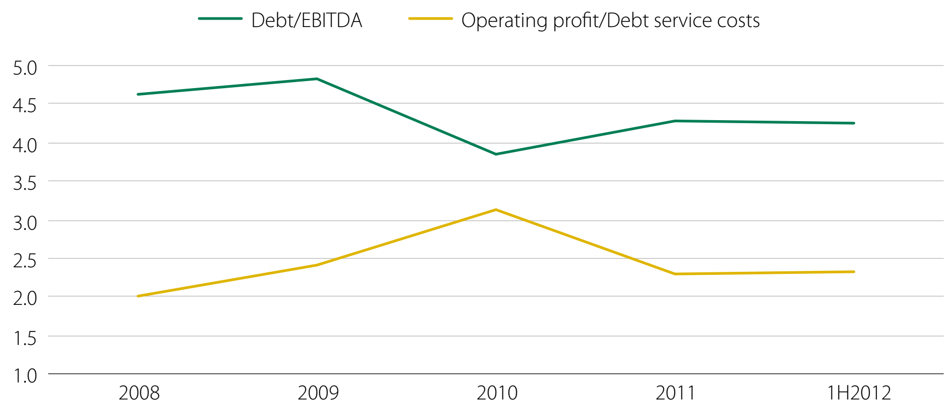
The leverage ratio worsened in the first half of 2012, with aggregate debt standing at 1.47 times the level of equity, compared with 1.4 times for year-end 2011. This

10 Gross financial debt is defined as the sum of debts with credit institutions and issues of debentures and other tradable debt securities.

ratio increased in all sectors, apart from the energy sector, with a significant increase in the construction and real estate sector as a result of the reduction in equity resulting from the losses incurred by companies in the sector.

Figure 7 shows the trend in debt-to-EBITDA and the debt service coverage ratios. The ratio of total debt/EBITDA was similar to that recorded in the previous year, 4.26 compared with 4.29 at year-end 2011. The debt service coverage ratio (EBIT/financial expenses) also remained at a similar level to that recorded in the previous year, at 2.32 compared with 2.3 in 2011.

Debt-to-EBITDA ratio FIGURE 7



Source: CNMV.

Table 5 shows the trend in the level of debt and the key related ratios by sector.

The energy sector continued to reduce its debt (-1.3%) in the first half of 2012. However, the figures for this sector were influenced by extremely significant discontinued activities over the period, which incorporated net debt at year-end 2011 of around two billion euros. If we exclude this effect, the energy sector's debt remained practically level, rising by 0.7%.

The level of debt of the manufacturing sector rose by 6.1%, which is linked to the increase in funding obtained by companies with a positive performance as a result of greater activity abroad. There was an improvement in the debt ratios of this sector as a result of the positive performance of EBITDA and operating margins.

Aggregate debt in the retail and services sector rose by 3.9% in the first half of 2012 compared with year-end 2011. The increase in debt together with the fall in operating results and the rise in financial expenses led to worse debt ratios.

The level of debt in the construction and real estate sector remained stable compared with year-end 2011. Debt ratios in this sector continue recording the highest levels of financial risk, with ratios which are very far from the values seen in other sectors and those seen in 2005.

Debt by sector TABLE 5

Million euros		2008	2009	2010	2011	1H2012
Energy	Debt	82,608	100,572	98,283	95,853	94,602
	Debt/equity	0.89	1.08	0.95	0.92	0.89
	Debt/EBITDA	2.82	3.46	2.81	3.27	3.33
	Operating profit/Debt service cost	3.67	3.38	4.15	3.30	3.31
Manufacturing	Debt	15,645	15,953	14,948	17,586	18,661
	Debt/equity	0.69	0.69	0.58	0.63	0.68
	Debt/EBITDA	2.71	3.05	2.11	2.54	2.40
	Operating profit/Debt service cost	3.41	3.15	5.00	3.90	4.23
Retail and services	Debt	112,322	108,579	115,413	113,142	117,535
	Debt/equity	2.14	1.78	1.60	2.01	2.14
	Debt/EBITDA	3.58	3.70	3.38	3.78	3.97
	Operating profit/Debt service cost	2.86	3.28	3.94	2.45	2.17
Construction and real estate	Debt	119,788	104,762	99,917	83,716	83,434
	Debt/equity	3.77	4.08	3.42	2.98	3.29
	Debt/EBITDA	31.87	22.48	11.18	15.00	10.84
	Operating profit/Debt service cost	0.01	0.31	0.98	0.52	0.86
Adjustments*		-20,802	-1,908	-1,792	-1,404	-1,325
Total	**Debt**	**309,561**	**327,958**	**326,769**	**308,893**	**312,908**
	Debt/equity	**1.63**	**1.63**	**1.43**	**1.44**	**1.47**
	Debt/EBITDA	**4.63**	**4.82**	**3.84**	**4.29**	**4.26**
	Operating profit/Debt service cost	**2.01**	**2.42**	**3.12**	**2.30**	**2.32**

Source: CNMV.

* In the adjustment row the data on issuers that are subsidiaries of another listed company belonging to a different sector are eliminated.

6 Non-performing loans and solvency of credit institutions

Given the particular situation which the financial sector is currently undergoing, it is important to include a specific section on the performance of credit institutions and, in particular, on their ratios regarding growth in lending, non-performing loans and solvency.

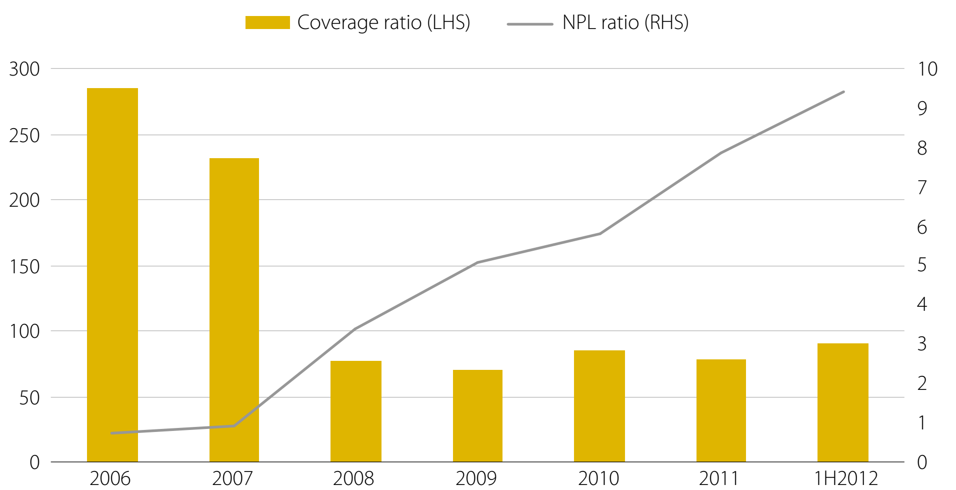
Aggregate lending grew by 3.2% in the first half of 2012. This is therefore the second consecutive six-month period with a growth in lending, following the slight contraction recorded in the first half of 2011. However, the increase in lending is partly the result of credit institutions being involved in integration processes in the first half of 2012 and their balance sheets being increased with the lending from the integrated institutions. The other credit institutions, with the exception of three, recorded lower than average growth rates, and even negative growth rates in the case of 15 credit institutions, as a result of the ongoing de-leveraging being conducted by the Spanish private sector and the unfavourable performance of the economy.

Credit institutions continued their efforts to optimise the risk-weighted assets with they hold in their lending portfolios so as to comply with the capital requirements of the EBA and Royal Decree-Laws 2/2011 and 18/2012.

Furthermore, a significant figure included in the financial information reported by listed companies in the first half of 2012 is the increase in the exposure of credit institutions to Spanish sovereign debt, largely financed by the funds which the ECB provided to Spanish credit institutions. Specifically, according to the information provided, respectively, by the Bank of Spain and the General Secretariat of the Treasury and Financial Policy of the Ministry of Economic Affairs and Competitiveness, lending by credit institutions to the public sector rose by 10%,[11] and the public fixed-income portfolio held by credit institutions rose by 15.6%.[12]

The figure below shows the development of the NPL ratio of credit institutions in lending to other resident sectors (families and companies) since 2006, as well as the coverage ratio of doubtful assets, defined as the value adjustments for asset impairments over the doubtful balance.

NPL and coverage ratios of credit institutions FIGURE 8



Source: Bank of Spain.

The non-performing loan ratio continued growing over the first half of 2012, up to 9.7%[13] (the highest ratio since the Bank of Spain began conducting statistical monitoring of this ratio), in line with the performance of the main macroeconomic figures and, in particular, with the contraction in demand and the sluggish job market and real estate market, to which credit institutions are highly exposed.[14]

The fall in the coverage ratio up to 2009 mirrored the sharp increase in the NPL ratio. There was a notable increase in the coverage ratio in 2010, as a consequence of the

11 Bank of Spain, *Statistical Bulletin*, November 2012.

12 General Secretariat of the Treasury and Financial Policy, *Statistical Bulletin*, November 2012.

13 Bank of Spain, *Statistical Bulletin*, November 2012.

14 According to the Bank of Spain's Statistical Bulletin, the NPL ratio stood at 10.7% in September 2012.

processes of integration and restructuring against reserves of the assets of savings banks carried out in that year. In 2011, once this effect had been absorbed, the ratio began to fall, only to rise again in the first half of 2012 as a result of the application of the new requirements of Royal Decree-Laws 2/2012 and 18/2012.

The increase in the NPL ratio since 2007 has increased the volume of refinancings and asset acquisitions or foreclosed assets, especially real estate assets. Assets received as payment of debt are generally classified in the balance sheets of credit institutions under the heading of "non-current assets for sale", although developments in progress and leased assets are generally classified under other asset headings ("inventory" and "property, plant and equipment" respectively). Non-current assets for sale rose by 35.7%, property investments rose by 6.8% and inventory by 7.1%[15] compared with June 2011 for credit institutions as a whole. With regard to the credit institutions in the sample, the most significant of these three headings is that of non-current assets for sale, with an aggregate balance of 37.14 billion euros at the end of first half of 2012.

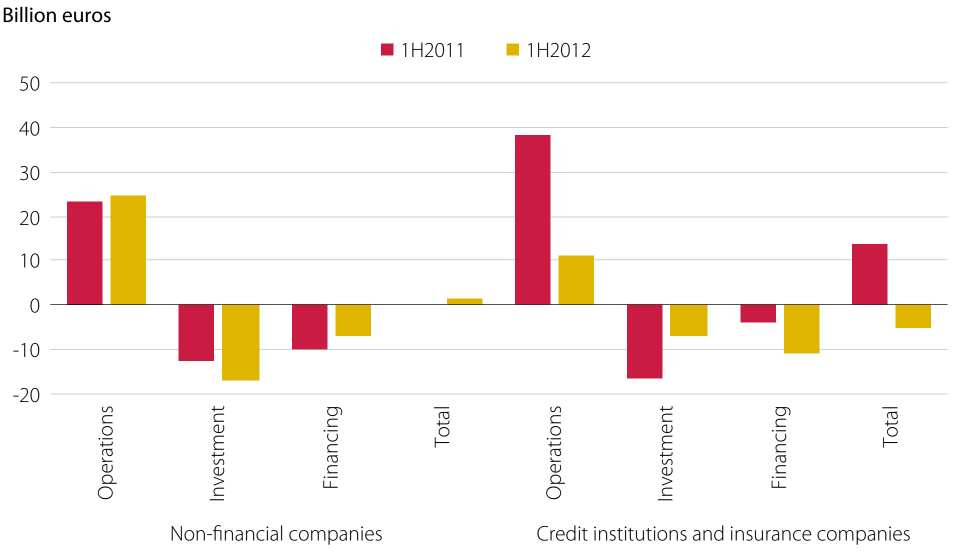
With regard to the evolution of the different components of the equity of the credit institutions included in the sample, we can highlight the following figures: (i) the carrying amount of capital and reserves rose by 2.9% in the first half of 2012 so as to meet the new regulatory requirements, although the equity/assets ratio fell from 5.6% in June 2011 to 5.4%; (ii) valuation adjustments, which remained negative in the first half of 2012, rose by 55.4% in the period as a result of the fall in the price of available-for-sale assets; and (iii) minority interests, which represent the holdings in the equity of subsidiaries not directly or indirectly attributable to the parent company, rose by 7.2%.

7 Cash flows

Figure 9 shows the aggregate changes in cash flows generated in the first halves of 2011 and 2012 by the companies in the sample, distinguishing between flows arising from operations, investment and financing, with the totals corresponding to the changes in cash and cash equivalents over the period. In addition, non-financial companies are separated from credit institutions and insurance companies given the different nature of their activities.

15 Aggregate financial statements published by the Spanish Banking Association.

Generated cash flows FIGURE 9



Source: CNMV.

The sector-by-sector development of cash flows is analysed below.

– **Non-financial companies.** In aggregate terms, cash flows generated in operating activities (24.78 billion euros) rose by 6.3% compared with the same period of the previous year. This increase was seen in all sectors, apart from the retail and services sector.

  In the first half of 2012, the flows generated in operating activities were used to: (i) perform net investments of 16.95 billion euros, (ii) make net payments for financing of 6.71 billion euros, and (iii) increase the balance of cash and cash equivalents by 1.48 billion euros.

  Net outflows for investment rose by 36.2% in the first half of 2012 compared with the same period of the previous year as a result of lower flows obtained from divestments, and a slight increase in investments.

  The fall in the flows obtained from divestments was due to the fact that in the first half of 2011 electricity companies obtained large quantities of cash as a result of the placements of the electricity system tariff deficit conducted by the Electricity Deficit Amortisation Fund (Spanish acronym: FADE)

  Net outflows for financing fell by 33.3% in the first half of 2012 compared with the same period of the previous year. Payments of dividends fell by 1.08 billion euros. If they had not fallen, there would have been a need for greater funding. In addition, net investment of 526 million euros was made to acquire treasury stock in the first half of 2012.

– **Credit institutions and insurance companies.** The cash flow statement of the companies in the sample reflected a net decrease in cash and cash equivalents of 4.98 billion euros, compared with a net increase of 13.79 billion euros recorded in the first half of 2011. This fall was mainly due to the fact that for two companies with a large weighting in the selected sample, the increase in cash flows from operating liabilities (which include both retail and wholesale funding) was not enough to cover the increase in demand from operating assets (mainly lending).

Operating activities generated 9.96 billion euros, 74% down on the figure recorded in the same period of 2011. These resources were used for net investments of 5.91 billion euros and for net cancellation of financing obtained, amounting to a cash outflow of 10.3 billion euros. Exchange differences led to a net increase in cash of 1.27 billion euros.

Insurance companies recorded a net fall in cash of 292 million euros as a consequence of the payments for investment and financing activities, which were not offset by the positive performance of cash flows from operating activities, which increased by 872 million euros compared with the same period of the previous year.

8 Number of employees

Table 6 shows the average aggregate workforce for the six sectors in the first half of 2012 and the first half of 2011. The table shows that the first half of 2012 saw a year-on-year increase in average staff of 1.5%, although the number of companies which reduced their workforce (95 companies) was greater than the number which increased their workforce (51 companies).

Average workforce by sector TABLE 6

Number of people	1H2011	1H2012	(% change)
Energy	121,833	105,468	-13.4
Manufacturing	257,145	267,880	4.2
Retail and services	707,834	756,310	6.8
Construction and real estate	410,807	394,738	-3.9
Credit institutions	430,716	435,313	1.1
Insurance companies	42,317	40,241	-4.9
Adjustments*	-3,840	-3,513	-
Total	**1,966,812**	**1,996,437**	**1.5**

Source: CNMV.

* In the adjustment row the data on issuers that are subsidiaries of another listed company belonging to a different sector are eliminated.

The corporate operations conducted by companies in the manufacturing sector and the retail and services sector led to increases in the workforce of 4.2% and 6.8%, respectively.

The average aggregate workforce of credit institutions recorded a 1.1% rise in the first half of 2012. The downsizing conducted by companies which undertook merger processes and other companies which the FROB has intervened in or which it controls was offset by the international expansion policy of two companies and the growth of another as a result of a merger. The average cost per employee rose by 1.7% (to 28,700 euros, compared with 28,200 euros in the first half of 2011). The number of branches fell by 5.4% over the period.[16]

9 Dividends

As shown in table 7, dividends paid in the first half of 2012 amounted to 8.78 billion euros, 18.5% down on the same period of the previous year.

Dividends paid by sector TABLE 7

Million euros	1H2011	1H2012	(% change)
Energy	1,579	1,106	-30.0
Manufacturing	810	904	11.6
Retail and services	4,628	4,302	-7.0
Construction and real estate	757	800	5.7
Credit institutions	2,715	1,370	-49.5
Insurance companies	292	301	3.1
Adjustments*	1	1	0.0
Total	**10,782**	**8,784**	**-18.5**

Source: CNMV.

* In the adjustment row the data on issuers that are subsidiaries of another listed company belonging to a different sector are eliminated.

39.7% of the companies paid dividends in the first half of 2012, compared with 43.6% in the same period of the previous year. Of the 62 companies which paid dividends in 2012, 56.5% increased the remuneration paid to shareholders compared with the same period of the previous year, 29% reduced it and the remaining 14.5% kept it at the same level.

It should be pointed out that only 45.6% of the dividends in the first half of 2012 were paid from profits, while this figure stood at 90.3% in the same period of the previous year. The fall in dividends would be 58.9% if we only considered the dividends paid from profits.

By sector, credit institutions recorded the most significant fall in dividends paid (almost 50%). The energy sector reduced dividends paid by 473 million euros, mainly as a result of the different time pattern of paying dividends of one company with a significant weighting in the sample.

With the aim of mitigating the fall in shareholder remuneration through dividends, especially those paid from profits, companies have been making use of scrip dividends, which consist of giving released shares, with the specific feature that the company offers to buy the free allotment rights at a fixed price. Shareholders may therefore choose between receiving the shares, selling the rights in the market or

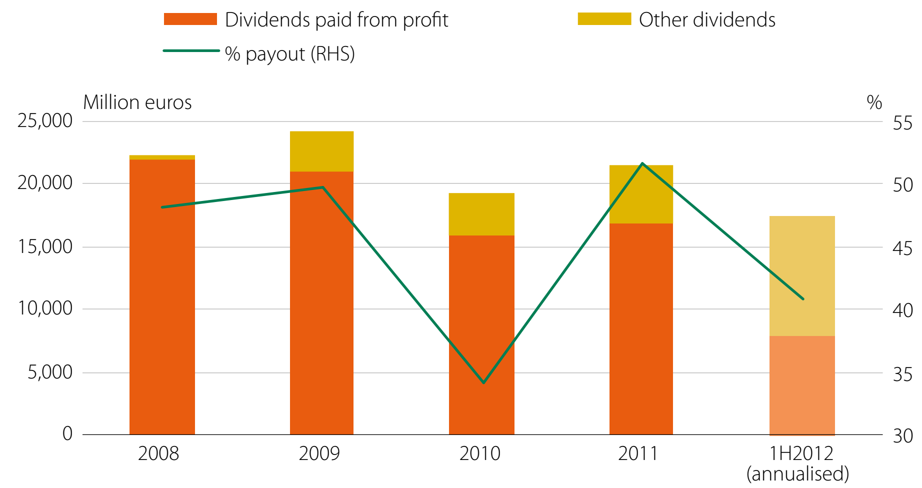
16 Source: *Statistical Bulletin* of the Bank of Spain.

selling the shares back to the company. The main advantage for issuers is that they reduce cash outflows while, at the same time, giving remuneration to their shareholders.

The aggregate payout[17] of the companies - correcting for the dividends not paid from profits - stood at 40.8% compared with 54.1% in the first half of 2011.

Figure 10 shows the dividends paid in the last five years,[18] distinguishing those paid from profits, as well as the evolution of the payout.

Dividends paid and payout FIGURE 10



Source: CNMV.

In order to analyse the evolution of the payout, it is important to bear in mind that this ratio relates the profits obtained in a year with the dividends paid in that year, including the supplementary dividends relating to the profit of the previous year. In particular, in order to explain the increase in the payout in 2011, it is important to bear in mind both the inclusion of significant dividends paid from profits of the previous year and the fall in profits in 2011 of the companies which paid dividends of around 30%.

10 Conclusions

The net profit of listed companies as a whole fell in the first half of 2012 by 74% compared with the same period of the previous year. All sectors suffered falls in their net profit, although these were most noteworthy in the credit institution sector, which generated losses of 2.81 billion euros.

17 This percentage is the dividend effectively paid in the period over the consolidated profit attributed to the parent company. We have only considered those companies which paid dividends in the period.

18 In 2009 we have excluded one unusually large dividend which paid out the gain generated on a corporate operation recorded in 2008.

EBITDA of non-financial sector companies recorded negative growth of 1.3% as a consequence of the current economic environment in which companies need to reduce operating margins in order to improve competitiveness. The fall in net profits was larger due to (i) the increase in companies' financial expenses, (ii) the losses of companies accounted for using the equity method and (iii) the losses recorded for the impairment of the portfolio of available-for-sale assets.

Due to its significance in the current environment, it is important to highlight that the capacity of listed companies to increase their presence in international markets has partially offset their negative business performance in Spain.

It is also important to highlight the increase in operating cash flows of non-financial companies compared with the same period of the previous year, as well as the increase in net payments for investments as a consequence of the lower flows obtained from divestments and a slight increase in investments.

The aggregate results of credit institutions worsened significantly, to the point where they recorded losses in the first half of 2012, in contrast with the profits recorded in the same period of the previous year. The losses were due to the impairment of the lending portfolio, the new requirements for provisions for non-performing loans and the impairment losses of non-current assets for sale (which include foreclosed assets) and of other assets. However, the interest margin and net commissions, which represent the results of their recurring operations, did improve in this period, although it is important to highlight the positive effect on the interest margin of the special refinancing operations of the European Central Bank.

The fall in profits, together with the difficulties in obtaining liquidity through borrowing or equity, affected the amount of the dividends paid in the first half of 2012, which fell by 18.5% compared with the same period of 2011. In order to offset the fall in dividends paid from profits, companies are using different formulas involving a lower cash outflow to remunerate their shareholders, for example through the use of scrip dividends.

III Regulatory novelties

Recent initiatives in the regulation of securities markets in the European Union: the response to the financial crisis and the review of the main directives

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1 Introduction

Since the collapse of Lehman Brothers in the summer of 2008 - one of the most important triggers of the current economic crisis - the European Union has undertaken an intense and ambitious reform process of its financial legislation. Through this process, it aims to identify and correct deficiencies which to a certain extent may have led to the crisis or favoured its development. The measures adopted are also aimed, *inter alia*, at re-establishing confidence in the financial sector, predicting future crises, guaranteeing the required stability of the system and ensuring that the different economic agents may continue to obtain funding in a secure and ongoing manner.

Some of the most significant reforms undertaken by the EU over this period are framed within the context of the agreements reached by the G-20 in order to respond to the financial crisis and prevent its repetition in the future, especially as from the Washington summit in November 2008, which produced the Action Plan to Implement Principles for Reform.[1] Significant progress has been made since then in developing and implementing the commitments undertaken under the coordination of the Financial Stability Board (FSB) and with noteworthy intervention of important international bodies in the area of financial regulation standards, i.e. the Basel Committee on Banking Supervision, the International Organisation of Securities Commissions and the International Association of Insurance Supervisors.

In the case of Europe, the legislative reforms and initiatives in progress which are based on the G-20 agreements have involved, or will involve, incorporating into EU legislation a series of priority objectives in the current context of the financial crisis. These include strengthening supervision; improving prudential regulation of financial institutions; establishing more appropriate executive remuneration systems; mechanisms to prevent or, as the case may be, manage crises in systemic financial institutions; regulation and supervision of key agents, such as rating agencies; greater transparency and oversight of OTC trading with derivatives; and an increase in retail investor protection.

Together with the initiatives aimed directly at responding to the challenges resulting from the financial crisis, we can also see an intensification in those initiatives more directly related to building the Single Market. The main driver for the most recent Commission proposals in this area is the review of the main directives approved in the first half of the last decade in the context of the Financial Services Action Plan, provided in the Articles of these directives. Specifically, the reform of

1 The commitments contained in said plan may be consulted, among other places, at http://www.g20.utoronto.ca/2008/2008declaration1115.html.

the Prospectus Directive has been approved and the Commission proposals for amending the MiFID and the legislation on market abuse and the Transparency Directive are currently being discussed in the European Parliament and in the Council. It goes without saying that the review of these rules also aims to address the insufficiencies revealed by the financial crisis.

This article aims to list and briefly describe the most significant legislative initiatives undertaken by the European Commission between September 2010 and December 2012 in the area of securities markets. The initiatives are presented in two major groups: firstly, those which are more closely linked, in terms of the reason for the initiatives, with the financial crisis. Among these we can highlight those associated with implementing the international financial reform recommended by the G-20. Secondly, there are those initiatives which are more directly related to the aim of strengthening the single securities market, among which we can particularly highlight the proposals for reviewing the main directives approved in the context of the Financial Services Action Plan.

The driving force behind many of the initiatives that will be discussed share characteristics with both groups. It is important to bear in mind that the legislative process in the European Union is dynamic in such a way that the initiatives which arise with a specific aim have undergone modifications as they pass through the legislative procedure. Given the speed at which events have been taking place over the last two years, some modifications have even been made during the drafting stage of the proposal by the Commission.

The initiatives discussed include both those which have led to approved legislation, and those which are still being processed through the European Parliament and the Council or even, in some cases, those in a stage prior to formal presentation of the proposal by the European Commission. We also discuss some initiatives which have been included by the European Commission in its programme of initiatives for 2013. In each case we provide the reader with information on the current status of the initiatives. Table 1 provides a list of the initiatives discussed herein, organised according to the criteria shown.

The article is structured as follows: section two describes the initiatives which more directly aim to respond to the problems arising from the financial crisis, highlighting those which are more closely related to the G-20 proposals. Section three addresses the initiatives mainly aimed at consolidating the single market for financial services. The article closes with a brief section of conclusions.

Main EU legislative initiatives in securities regulation

TABLE 1

Period September 2010-December 2012

	Financial crisis		**Single Market**
	G-20 recommendations	**Others**	
Approved	Directive 2010/76/EU (CRD 3), of 24 November 2010. Capital requirements, remuneration policies and prudential supervision of financial institutions.		Directive 2010/73/EU, of 24 November 2010. Simplification of administrative burdens for issuers and improvements in the content of prospectuses.
	Directive 2010/78/EU and Regulations (EU) 1092/2010, 1093/2010, 1094/2010, 1095/2010 and 1096/2010, of 24 November 2010. New European supervisory architecture.		
	Regulation (EU) 513/2011, of 11 May 2011. Supervision of credit rating agencies, investor protection, increase in competitiveness among agencies.		
	Directive 2011/61/EU (CRD 3), of 8 June 2011. Regulation of alternative investment fund managers.		
	Regulation (EU) 236/2012, of 14 March 2012. Short selling and certain aspects of credit default swaps.		
	Regulation (EU) 648/2012 (EMIR), of 4 July 2012. Obligation of centralised clearing of OTC derivatives, regulation of central counterparties and trade repositories.		
In process	Proposal for revision of the regulation on capital requirements (CRD IV), of 20 July 2011. New provisions on capital, liquidity, corporate governance and sanctions for financial institutions.	Proposal for a revision of the Directive on deposit guarantee schemes of 12 July 2010. Enhanced investor protection, extension of coverage and eligibility.	Proposal for a revision of the regulation on markets in financial instruments (MiFID) of 20 October 2011. Extension of the rules on transparency to other financial instruments, introduction of a new category of trading venue and improvements in corporate governance, investor protection and the system of sanctions.
	Proposal for a revision of the regulation on credit rating agencies of 15 November 2011. Measures to avoid excessive dependency on rating agencies, foster diversity and independence among agencies and transparency of information.	Proposal for a revision of the audit standards for the financial sector of 30 November 2011. Introduction of rules on rotation, improvement in the independence of auditors and their supervision.	Proposal for a revision of the regulation on market abuse (MAD), of 20 October 2011. Extension of the scope of application to other trading venues and OTC markets and introduction of criminal sanctions.
	Proposal for a Directive establishing a framework for the recovery and resolution of credit institutions and investment firms, of 6 June 2012. Crisis prevention, early intervention and resolution of entities.	Proposal for a Regulation on European Venture Capital Funds, of 7 December 2011. Harmonised rules for marketing European venture capital funds.	Proposal for a revision of the Directive on transparency requirements, of 25 October 2011. Simplification of requirements and harmonisation of the rules for disclosure of major holdings.
		Proposal for a Regulation on Packaged Retail Investment Products (PRIPs), of 3 July 2012. Introduction of the Key Information Document (KID).	Proposal for a Regulation on central securities depositories, of 7 March 2012. Harmonisation of legislation as regards depositories, introduction of the passport and revision of market discipline.
		Proposal for amendments to the UCITS Directive (UCITS V), of 3 July 2012. Rules on remuneration of management companies and the duties and functions of the depositary.	
Planned for 2013	Legislative proposal on managing the crisis of financial institutions other than banks and investment firms (mainly market infrastructures with systemic importance).		Proposal for regulation of transferable securities.
	Legislative proposal to regulate the shadow banking system.		

2 Initiatives relating to the financial crisis

2.1 Initiatives based on the G-20 recommendations

2.1.1 Reform of capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies of financial institutions (Directive 2010/76/EU)

Directive 2010/76/EU, of 24 November 2010, amending Directives 2006/48/EC and 2006/49/EC on capital requirements for the trading book and for re-securitisations, is framed within the EU's first responses to the financial crisis. As a whole, the reforms introduced by this Directive are aimed at improving risk management, transparency and investment practices, especially as regards securitisations and re-securitisations, and incentive schemes. The Directive is applicable both to credit institutions and to investment firms, in the latter case providing they do not exclusively offer financial advice.

This Directive, referred to in community jargon as CRD III, already appeared in the Commission's work programme for 2008, although the formal proposal for revision was published in July 2009. Largely based on the recommendations of the Basel Committee on Banking Supervision, some of the most important reforms eventually introduced evolved from the recommendations arising from different G-20 summits.

For example, in the case of securitisations, the G-20 summit in London in April 2009 decided that it was necessary to develop incentive schemes which favour appropriate risk management. A few months later, the Pittsburgh summit of September 2009 recommended that securitisation originators retain part of the securitised assets.

The measures included in the Directive as regards remuneration policies were based on the results of the aforementioned Pittsburgh summit and the summits held in Toronto (June 2010) and Seoul (November 2010). The remuneration policies aim to discourage short-term decisions which involve taking on inappropriate risk. The new regulations require supervisors to maintain an appropriate system of sanctions.

2.1.2 Creation of the European Systemic Risk Board and the European Supervisory Authorities (Directive 2010/78/EU and Regulations 1092/2010, 1093/2010, 1094/2010, 1095/2010 and 1096/2010)

The new supervisory framework of the European financial system, in force since January 2011, aims to respond to the weaknesses brought to light by the financial crisis. In the G-20 Summit in London in April 2009 it was stressed that these weaknesses needed to be solved, in particular with regard to the problems of coordination between national supervisors and the lack of adequate macroprudential supervision.

The design of the new bodies under this initiative is based on the conclusions of the report known as the "Larosière Report", published in February 2009, after the President of the European Commission appointed Jacques de Larosière to chair a group of experts to advise on the future of European regulation and supervision.[2]

In accordance with the recommendations of the Financial Stability Forum,[3] the new European supervision system is based on two pillars: microprudential supervision and macroprudential supervision. The former is implemented through three European supervisory authorities (ESA): the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA). The ESA replace the former European sectoral committees (for banking, securities and insurance), which essentially provided advice to the European Commission. The new institutions maintain that function, but are also considered as "authorities", with certain direct supervisory competences, which may be increased in the future.

The objectives of the ESA include: (i) improving coordination between national supervisors; (ii) implementing EU regulations by drawing up regulatory technical standards when required by higher-level EU legislation; (iii) preparing implementing technical standards, guidelines and recommendations as a support for national authorities and to promote greater supervisory convergence which ensures consistent application of common legislation; (iv) strengthening the colleges of supervisors as an instrument of cooperation between authorities and supervising entities with cross-border activity; (v) ensuring the sharing of information and points of view between different national supervisors; and (vi) responding quickly in the event of an emergency, for example, by banning the trading of certain financial instruments.[4]

The European Systemic Risk Board (ESRB) has been created to address macro-prudential supervision, with the aim of implementing supervision at a European level so as to address the fragmentation, and even absence, of macro-prudential analysis at a national level. It should be pointed out that this was also the basic underlying objective of transforming the former FSF into the current Financial Stability Board (FSB).

2.1.3 Amendments to the regulation on credit rating agencies (Regulation 513/2011) and subsequent initiatives in this area (in process)

Regulation (EC) No. 1060/2009, of 16 September 2009, on credit rating agencies, entered into force on 7 December 2010. This Regulation requires rating agencies to comply with a code of conduct to avoid the conflicts of interest detected to date, as well as to periodically review their methodologies and ratings. In essence, the Regulation translates to the EU the recommendations in this area made by the Financial Stability Forum in 2008, the Financial Stability Board in 2009 and the G-20 summit in London in 2009.

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2 The report is available at http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf

3 *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience*, of 7 April 2008 (http://www.financialstabilityboard.org/publications/r_0804.pdf).

4 With regard to the new European supervisory architecture, especially as regards the ESMA powers, see J. Munuera Cebrián and A. Martín de Diego (2011), "European Securities and Markets Authority, CNMV third-quarter bulletin, pp. 121-144, available at http://10.10.1.33/DocPortal/Publicaciones/Boletin/QuarterIII2011en.pdf

The actions of credit rating agencies had already attracted the attention of regulators prior to the crisis, as can be seen, for example, in the drawing up of an IOSCO code of conduct for this sector in October 2004.[5] However, the introduction of a Regulation in this area is closely related to the analysis of the origin and impact of the financial crisis.

In the case of Europe, the regulatory process is also being influenced by the specific experience of the European sovereign debt crisis. Accordingly, following a European Commission proposal in June 2010, Regulation 1060/2009 was reformed by means of Regulation (EU) No 513/2011, of 11 May, with the aim of improving supervision and investor protection and, at the same time, increasing competition between agencies. To this end, the Regulation directly assigns supervision of credit agencies to the European Securities and Markets Authority (ESMA) and aims to increase the transparency of rating agencies so that all agencies have access to the same information.

In November 2011, the Commission presented a new legislative proposal, made up of one regulation and one directive, with the aim of completing and strengthening current legislation on rating agencies. This proposal is also currently in process.

The measures proposed by the Commission initiative in November 2011 include the following: (i) that issuers of structured finance products disclose additional information for investors to make their own decisions without the need to rely on external credit ratings; (ii) that financial institutions are required to prepare their own credit risk assessments and avoid relying solely and mechanistically on external credit ratings; (iii) the European supervisory authorities and the European Systemic Risk Board should not refer to external credit ratings in their guidelines, recommendations and draft technical standards; and (iv) the introduction of strict rules relating to sovereign debt ratings.

In particular, sovereign ratings should be assessed more frequently (every six months instead of every 12 months), the ratings should be published before the markets open, the quality and transparency of the ratings should increase (through publication of full reports) and the agencies should inform governments on the last working day prior to publication of the new rating.

The proposal made in November 2011 also includes the introduction of measures to favour the diversity and independence of agencies. Specifically, it proposes: (i) a ban on shareholders with a major holding (more than 5%) in one agency buying significant shares in other agencies; (ii) a ban, for agencies, to rate their shareholders with holdings of greater than 10%; (iii) that one agency may only issue ratings on a certain instrument or issuer for three years, or six years if the instrument or issuer has been rated by two agencies; (iv) that issuers which request the rating of complex products should engage at least two different credit rating agencies.

Other aspects also included in this proposal relate to strengthening transparency and making it easier for investors to compare ratings from different agencies. To

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5 IOSCO, *Code of Conduct Fundamentals for Credit Rating Agencies*, October 2004. Available at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD173.pdf

this end, it proposes that ESMA should publish an index comprising all the ratings available on debt instruments, as well as the requirement for agencies to inform this authority and obtain its prior authorisation if modifying the methodology used.

The Commission proposal made in November 2011 strengthens the regime for the civil liability of agencies. Accordingly, if an agency breaches, intentionally or with gross negligence, any obligation imposed by the CRA Regulation which may have had an impact on ratings, investors may bring a civil liability action against the agency for any damage caused.

Finally, it should be pointed out that, in accordance with the recommendations issued by the FSB in October 2010 and ratified in the G-20 summit of November 2010 in Seoul, the European Commission has proposed a series of measures to strengthen internal analysis in credit institutions and investment firms and avoid their excessive dependence on the ratings issued by rating agencies with regard to calculating capital requirements and investment decisions. These measures are included in the proposal for a revision of the Capital Requirements Directive (known as CRD IV), published on 20 July 2011 and which is currently in process.

2.1.4 Directive on alternative investment fund managers (Directive 2011/61/EU)

This Directive, approved on 8 June 2011, also forms part of the first coordinated measures adopted in the context of the G-20 as a response to the financial crisis. Towards the end of 2008, it was estimated that alternative investment funds had assets under management for a value of 2 trillion euros. Despite the considerable size of this segment of the financial sector, these institutions were not subject to regulation or even a reporting regime, which could be useful for the purposes of macroprudential assessment. The systemic potential of these funds was demonstrated, in the opinion of the G-20, by the nature of their activities, which involved a series of risks for investors and counterparties, as well as for the efficiency and stability of financial markets.

The Directive aims to establish a harmonised legal framework throughout the European Union which favours the development of a single market for alternative investment funds. The aim is for this legal framework to be in line with the conclusions of the report issued by the FSB in April 2008 and the conclusions of the G-20 summit in London in April 2009 as regards strengthening the financial system, which recommended establishing appropriate regulation for those financial institutions whose problems might generate systemic risk.[6]

The scope of the Directive focuses on alternative investment fund managers. All managers which have assets under management equal to or greater than 100 million euros (or 500 million euros when the portfolios are unleveraged and have no redemption right exercisable during a period of five years) are required to comply with its provisions. Among other measures, the Directive requires these entities to: (i) comply with authorisation and registration requirements, in addition to require-

6 *Report of the Financial Stability Forum on Enhancing Market and Institutional Resiliency*, April 2008. Available at http://www.financialstabilityboard.org/publications/r_0804.pdf.

ments for their managers and depositories; (ii) provide adequate information to competent authorities for supervision purposes; (iii) improve transparency for investors (which will have a positive impact on their protection); (iv) put into place adequate risk and liquidity management systems; and (v) avoid conflicts of interest and operate subject to robust governance controls.

The Directive also covers access to the European market of alternative investment fund managers from third countries, both to operate with and without a passport. In the event that they want to operate with a passport, said access is dependent on favourable advice from ESMA to the Commission, within a period of two years following the deadline for transposition of the Directive, on providing a European passport to managers from third countries and on verification of compliance equivalence with regulatory and supervisory standards in those countries.[7]

2.1.5 Regulation on short selling and certain aspects of credit default swaps (Regulation [EU] 236/2012)

This Regulation was approved on 14 March 2012 following its passage of one and a half years through the European Parliament and the Council.

Its main precedent can be found in the emergency measures to restrict or ban short selling adopted in several EU Member States and in the US in autumn 2008. Furthermore, in March 2010, some Governments expressed their concern about the role played by credit default swaps (CDS) in the Greek sovereign bond crisis. The G-20 had already expressed concerns about CDS at the London summit in April 2009, although no specific recommendations were drawn up until the Seoul summit in November 2010.

Under normal conditions, short selling may help lead to greater liquidity in the market and may make price formation more efficient. However, in times of extreme instability, it may also contribute to intensifying turmoil in the markets and favour the transfer of systemic risks to the financial system as a whole.

The Regulation approved establishes, firstly, a transparency regime for acquiring and holding short positions (including those obtained through CDS). To this end, it requires that individual net short positions should be reported to regulators when they exceed 0.2% of the issued share capital of the company concerned and must be made public when they exceed 0.5% This therefore guarantees that more information is provided to market participants and also ensures that supervisors will have great information to detect potential risks. The Regulation provides some exemptions and exceptions to the transparency requirement, which are applicable to transactions in the primary market and to market makers.

Secondly, in order to address the potentially undesirable effects of these transactions, the Regulation gives powers to regulators to restrict or ban short selling or credit

7 For a detailed description of this Directive, see J. Rius Riu (2011), "The Directive on alternative investment fund managers", CNMV first-quarter bulletin, pp. 131-150, available at http://10.10.1.33/DocPortal/Publicaciones/Boletin/QBI2011_Weben.pdf.

default swaps in situations of considerable market instability. In order to avoid risks of regulatory arbitrage, the circumstances in which action should be taken by regulators have been standardised and specified as the power to temporarily restrict short selling of financial instruments admitted to trading on an organised market whose price has fallen below a certain quantitative threshold. It also provides the possibility to temporarily restrict or ban short selling of some or all financial instruments, including CDS, in exceptional circumstances. These restrictions must be introduced under the coordination of the European Securities and Markets Authority, which, in addition, under exceptional circumstances will have the power to approve temporary restrictions or bans with direct application in the markets of the Member States.

Finally, the Regulation also establishes certain requirements, applicable at the time of trading, aimed at strengthening settlement discipline in response to the risk that a seller making a short sale will fail to deliver the shares to the buyer on the settlement date leading to an increase in price volatility. To this end, before making a short sale, it will be necessary to have borrowed the shares or have reached an agreement to borrow them or otherwise ensure that the shares may be borrowed at the time of settlement (what is referred to as the "locate rule"). Similarly, those who make short sales in which the delivery is not made will be liable for the breach through buy-ins or fines in the event of failed settlements. There are also exceptions in this case for market-makers and certain primary market transactions.

2.1.6 Regulation on OTC derivatives, central counterparties and trade repositories (Regulation [EU] 648/2012)

Events such as the collapse of Lehman Brothers and the bailout of AIG in 2008 highlighted the functional deficiencies and lack of regulation in OTC markets for derivative products even though the bulk of these instruments were traded through said markets.

With the aim of reducing the systemic risk associated with these markets, a commitment was reached by the G-20, principally at the London summit in April 2009 and the Pittsburgh summit in September 2009 to require greater trading transparency, clearing of standardised derivative contracts through central counterparties and registration of bilateral transactions through trade repositories.

It should be pointed out that there was already certain concern in Europe with regard to the insufficient regulation of clearing houses prior to the crisis, although mainly as a result of the obstacles to integration of European markets resulting from the lack of harmonised regulation in this area. Drawing from the conclusions of the two reports by the Giovannini Group, set up by the European Commission, published in 2001 and 2003, the Commission proposed a project for the harmonised regulation of clearing houses in its 2006 work programme.

The current drive towards the regulation of clearing houses is due to their weight in the reforms affecting OTC derivatives. A consequence of this is Regulation (EU) 648/2012, of the European Parliament and of the Council, known as EMIR (European Market Infrastructure Regulation). This Regulation was approved on 4 July 2012 and is the result of a European Commission proposal published on 15 September 2010.

The key elements of this Regulation are as follows:

– Reduction of counterparty credit risk: as a major new aspect it establishes that those OTC derivatives classified as standardised in accordance with predefined criteria (high level of liquidity, etc.) must be cleared through central counterparties. These central counterparties act as an intermediary between the two parties in a transaction and take on the counterparty risk of both.

– For the other derivative products which are still cleared bilaterally, the Regulation establishes certain requirements relating to counterparty risk management for those financial institutions which participate in these transactions, including higher capital requirements.

– EU harmonisation both of the codes of conduct and the organisational and prudential requirements for central counterparties.

– Reporting transactions with OTC derivatives to trade repositories. National supervisors must also have access to this information. The European Securities and Markets Authority is responsible for authorising and supervising these trade repositories. It is important to highlight that trade repositories must publish aggregate positions for each type of derivative so that all participants in these markets have clear information on their evolution.

– Scope of application: this was one of the points which generated the greatest discussion and it was eventually agreed to include in the scope of application of the Regulation both financial institutions which use OTC derivatives and non-financial institutions which hold significant positions in these types of derivatives. However, in the latter case, companies which use OTC derivatives as hedges for the risk generated by their main activity are understood as exempt from the requirement to clear through a central counterparty.

– Introduction of pricing requirements and operational risk management and mitigation for entities which trade with OTC derivatives.

2.1.7 Proposal for legislative reform of capital, liquidity and governance of credit institutions and investment firms (in process)

Only a few months after approval of the reform of Directive 2010/76/EU, on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, known as CRD III, the European Commission published a proposal to reform this Directive (CRD IV). The purpose of this proposal, published on 20 July 2011, is to strengthen the provisions as regards capital, liquidity, corporate governance and sanctions.

This initiative involves a substantial change compared with the previous reforms of the Capital Requirements Directive as, for the first time, part of the prudential requirements for entities are implemented through a regulation and not exclusively through a directive. Therefore, once this initiative is approved, its application will be immediate. Furthermore, the proposal aims to ensure greater uniformity of content as it moves from establishing only minimum requirements to a regulation to which Member States may not make changes or additions.

With regard to corporate governance, the main amendments are aimed at strengthening the requirements for members of the board of directors and their liability. It establishes new legal obligations, some of which existed previously in the form of recommendations, with regard to the time directors dedicate to the firm, their suitability in terms of experience, standing and knowledge and the duty to be informed about the firm's risk policy. The reform also establishes other requirements, such as those relating to promoting diversity in board composition, the separation of the function of Chairman and Chief Executive Officer and the strengthening of the position and independence of the risk committee (or whoever is in charge of the risk management function).

With regard to sanctions, this proposal transfers to banking regulation the conclusions of the Commission Communication on reinforcing sanctioning regimes in the financial services sector.[8] In the case of investment firms, said conclusions are mainly transferred through amendments of the MiFID.

2.1.8 Proposal for a directive on crisis management in the banking and investment firm sector (in process)

On 6 June 2012, the European Commission presented a proposal for a directive of the European Parliament and of the Council aimed at establishing a harmonised European framework for crisis management in the banking sector and for investment firms. The proposal envisages adopting measures to prevent and, as the case may be, manage bank recovery and resolution processes. The proposal ultimately aims to prevent systemic risk, protecting bank depositors and reducing the cost for taxpayers of rectifying crisis situations.

Although this legislative initiative is aimed at avoiding, as far as possible, future bank bailouts, it is also applicable to investment firms, which, like banks, are subject to the Capital Requirements Directive.

The proposal was in line with the G-20 recommendations, technically implemented by the FSB, with the aim of establishing a framework for crisis prevention and management. The case of Lehman Brothers and other financial institutions during the current crisis has revealed how problems which affect one specific entity may end up affecting the whole financial system. Over recent years, the FSB has actively worked on drawing up uniform criteria in this area. These criteria are already largely reflected both in the directive proposal of the European Commission and in similar initiatives adopted in the United States and other countries.

As indicated above, the proposed directive focuses on three different stages: crisis prevention, early intervention and resolution of entities. The preventative part establishes that institutions must draw up recovery plans which would be applied in the event of a deterioration of their financial situation. Furthermore, competent

8 http://ec.europa.eu/internal_market/consultations/docs/2010/sanctions/COM_2010_0716_en.pdf

national authorities must prepare a resolution plan for each institution. Both types of plan must be prepared on a consolidated level for each group and individually for each institution. At the same time, it provides for the possibility of financial groups entering into intra-group support agreements subject to approval by the supervisory authorities and the shareholders of each entity in the group.

The proposal envisages early intervention by competent authorities in the event that an entity does not meet or is likely to be in breach of regulatory capital requirements. At this time, the entity may be required, amongst other measures, to implement the recovery plan, convene a meeting of shareholders to adopt urgent measures or draw up a plan for restructuring of debt with its creditors. It also proposes replacing the directors and appointing a special manager until the financial situation of the bank is restored.

Finally, it envisages the possibility of a resolution stage for the banks if the precaution and early intervention measures have not produced the desired effect. This stage may take place in the same circumstances which lead to a declaration of bankruptcy, only that in this case a public interest is recognised which justifies that the corresponding administrative authorities may take control of the bank and adopt the resolution measures which they consider appropriate.

The possible measures in this stage include setting up a bridge institution, sale of part of an institution's business, separation of toxic assets to be transferred to an asset management vehicle, and activation of the bail-in tool through different formulas for assuming losses and/or recapitalisation of the institution by shareholders and creditors (converting bonds into shares, write-downs for bondholders, etc.).

With regard to the funding of said measures, each Member State must establish funding mechanisms covered by the financial institutions themselves. These mechanisms may be mutualised so as to address cases of cross-border resolution of financial groups.

In Spain, Act 9/2012, of 14 November, on restructuring and resolution of credit institutions, has recently been approved. This Act is based on the EU proposal, although it is framed within the Eurogroup support package for Spain for the recapitalisation of the financial sector. Accordingly, Spain joins the list of European countries (such as Denmark, the Netherlands and the United Kingdom) which have in force a system for bank restructuring and resolution. However, said systems need to be amended, as indicated in the recitals of the Spanish Act, when a final EU directive is approved in order, among other reasons, to adapt the regime applicable to investment firms.

2.1.9 Initiatives planned in 2013: post-trade infrastructures with systemic relevance and shadow banking

The European Commission plans to launch new legislative initiatives in 2013 which are closely linked to the international regulatory agenda of the G-20. Specifically, the initiatives planned by the Commission are focused on crisis management of certain non-bank financial institutions, such as central counterparties and central securities depositories, and so-called shadow banking i.e. brokering activities which are similar to banking activities and which are currently not subject to bank sector regulation.

In the first case, alongside the proposal for crisis management in the banking and investment firm sector, the Commission is working on extending this framework to other financial institutions, mainly market infrastructures, which may have systemic importance, such as central counterparties and central securities depositories. The proposal will be based on the work currently being carried out jointly, with the supervision of the FSB, the Committee on Payment and Settlement Systems (CPSS) and the International Organisation of Securities Commissions (IOSCO).

The importance of supervising and regulating the shadow banking system was underlined by the G-20, firstly at the Seoul summit in November 2010, and subsequently at the Cannes summit in November 2011. Both the European Commission and the European Systemic Risk Board are currently collaborating with the FSB on assessing the suitability of extending the regulatory scope to these activities, which include such diverse activities as money market funds, securitisation markets, repo markets and securities lending.

In November 2012, the FSB published the preliminary results of this analysis, together with initial recommendations to promote enhanced oversight and regulation of the shadow banking activities. These recommendations, which are mainly focused on repo and securities lending markets, are expected to be completed in September 2013, which would help the European Commission to define more clearly its legislative proposals in this area.

2.2 Other initiatives relating to the financial crisis

2.2.1 Review of Directive 97/9/EC on investor-compensation schemes (in process)

On 12 July 2010, the Commission proposed a raft of measures to increase confidence in financial services and enhance investor protection, which include the proposal to amend Directive 97/9/EC on investor-compensation schemes. The package also includes a revision of the regulatory Directive on deposit guarantee schemes and the launching of a public consultation on options to improve the protection of insurance policyholders.

The aforementioned measures are not only based on the need to strengthen public confidence in the financial system following the impact of the financial crisis. In the case of protection schemes for bank depositors and securities investors, the proposed revisions of EU legislation in force aim to correct insufficiencies detected in the functioning of these schemes, especially as regards their funding and the time limits for paying compensation. In addition, in the specific case of the investor-compensation scheme, the Commission proposal also takes into account the recent experience of episodes of fraud with a major impact, such as the Madoff fraud case, especially with regard to the risks associated to securities custodians or depositories

In short, the proposal for a reform of the Directive on investor-compensation schemes aims to make investor protection rules more efficient, ensure a comparable framework between the different types of financial instruments covered and guarantee the existence of sufficient mechanisms and financing to compensate investors as necessary. The key elements of the proposal are as follows:

– Better coverage: the current minimum level of compensation under the Directive is 20,000 euros per investor. Under the proposal, this will be increased to 50,000 euros.

– Faster payouts: practice has shown that in some countries it can take up to several years for investors to receive any compensation. Under the proposal, investors will receive compensation within nine months.

– Improved information: investors are to receive clearer and more extensive information about the extent to which their assets are covered.

– Harmonisation of financing: the aim is to reduce the risk that a system will lack sufficient financing to meet its obligations. Under the proposal, a minimum target fund level will be introduced which needs to be fully pre-funded. In addition, the proposal introduces the principle of solidarity in European national guarantee systems, providing the possibility of borrowing a limited amount from other schemes if strictly necessary.

– Wider protection: currently, investors are not necessarily protected if the investment firm uses a third party custodian to hold the client's assets and the third-party defaults without returning the invested assets. Similarly, unit holders in investment funds can suffer a loss if there is a failure of a depository or a sub-custodian of the fund (as occurred in the Madoff fraud case). Under the proposal, the definition of investor covers unit holders in said funds. Finally, the proposal aims to cover those circumstances in which firms *de facto* hold client assets, irrespective of restrictions on their authorisation.

2.2.2 Revision of the audit standards for the financial sector (in process)

The auditing sector, which had been affected by different scandals both in the United States and in Europe in the period between 2001 and 2003 (Enron, Parmalat, etc.), has also been affected worldwide by the current financial crisis. The crisis has revealed certain dysfunctions in the sector as regards financial institutions that had been subject to inaccurate audits, which has led to a comprehensive review of the whole financial sector.

In essence, the proposed reform is aimed at achieving a unified European market for auditing services, which should be less concentrated and more focused on its core activity. We can also highlight the objective of strengthening the independence of auditors and improving their supervision. With regard to this last point, the European Commission proposes that coordination of the supervision of auditors should be entrusted to the European Securities and Markets Authority.

The revision of auditing standards is implemented through the proposal to amend Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, and a proposal for a regulation on the specific requirements regarding the statutory audit of public-interest entities (hereinafter, PIEs).

Therefore, the audit of PIEs has taken on a key role in the proposed reform, which is easy to understand if we bear in mind the fact that the crisis has mainly revealed weaknesses in the statutory audits of these entities, with cases in which clean reports were issued on entities which have suffered significant losses. Therefore, the concept of public-interest entity (which up to that point covered listed companies, credit institutions and insurance companies) has been extended to investment firms, payment institutions, undertakings for collective investments in transferable securities, electronic money institutions, alternative investment funds, central securities depositories and clearing houses.

The new framework for audits of PIEs proposed by the Commission comprises a series of elements aimed at restoring confidence in auditing, the key elements of which are as follows:

– Strengthening the independence of auditors: former auditors, key audit partners or their employees are not allowed to take up a key management position in the audited entity, to become a member of the audit committee of the audited entity, or to become a non-executive member of the governing body of the audited entity within two years after the termination of the audit engagement. It also includes measures relating to the fees received by the auditor, such as the introduction of appropriate safeguards when the total audit fees reach a significant percentage of the total fees received by the auditor.

– Revision of the content of the audit report: the content of the report disclosed to the public is expanded so that it explains the methodology used and, as the case may be, the reasons behind a qualified or adverse opinion. It also includes the requirement to prepare a longer and more detailed report for the audit committee, which should also be made available to the supervisor upon request.

– Auditors should also include information relating to corporate governance in their transparency reports. Auditors must also provide more documentation on their fees.

– Strengthening the independence and capacity of the audit committee: new rules are included on the composition of the committee, such as the requirement for at least one member to have experience and knowledge in auditing and another one, at least, in accounting, as well as the requirement for all the members to be non-executive. Furthermore, the proposal for the appointment of the auditor to the meeting of shareholders should be based on the recommendation of the audit committee.

– Introduction of rules on rotation: this is one of the measures which has generated the greatest controversy in the auditing sector as it limits the contract with one auditing firm or statutory auditor to a maximum of six years (eight years in exceptional cases). When two or more audit firms have been appointed, the maximum duration of engagements is increased to 9 years (on an exceptional basis, said duration may be extended to 12 years).

– Designation of a competent authority by country, which will be responsible for the supervision of auditors and audit firms providing services to PIEs. This authority must collaborate both with supervisors of these entities and with the authorities responsible for the approval and registration of statutory auditors and audit firms (Directive 2006/43/EC). These authorities should have powers to impose penalties and should cooperate at a European level under the European Securities and Markets Authority.

2.2.3 Regulation on European venture capital funds (in process)

The approval in December 2011 of a proposal for a Regulation on European venture capital funds forms part of the Commission's plan to favour the access of SMEs, particularly recently created innovative companies, to the financing necessary to be able to develop and become more competitive.

Against a background of restricted bank financing for SMEs, the Commission believes it is essential to establish uniform rules for marketing European venture capital funds, thus making it easier for the managers of these funds to raise capital in other EU countries.

The proposal introduces the category of "European venture capital fund" regulated by a common framework of rules. These funds are required to invest 70% of the available capital in SMEs, in the form of equity or quasi-equity instruments and may not use any form of leverage. Managers of these funds will enjoy a European marketing passport and will be included in a centralised register (in addition to the register of each supervisor) which will be maintained by the European Securities and Markets Authority.

The proposal also covers what type of investors are eligible to contribute capital to these European funds, and proposes that they should be professional investors in accordance with the definition established in the MiFID, as well as other types of traditional venture capital investors (for example, high net-worth individuals or so-called "business angels").

In July 2012, an agreement was reached by the European Parliament and the Council, and hence the Commission is expected to shortly approve and publish the definitive text of the Regulation on European venture capital funds.

2.2.4 Regulation on packaged retail investment products (in process)

This initiative, relating to products known in EU jargon as PRIPs (packaged retail investment products), was formally presented on 3 July 2012 in parallel with the revision of the Directive on insurance mediation and the legal framework corresponding to undertakings for collective investment in transferable securities (UCITS V), and is aimed at strengthening protection for retail investors in financial products.

It is clearly a proposal aimed at restoring investor confidence in the financial system as it aims to provide a solution to the deficiencies identified in market functioning which had taken on special importance in the current crisis situation and which have contributed to the loss of consumer confidence. In this case, the initiative is based on the conviction that in order to reactivate markets, it is necessary to ensure that investors have access to accurate and comparable information on financial products.

The proposal introduces a document known as the Key Information Document (KID), which must be prepared by the manufacturers of investment products (for each product) or whoever changes the products, modifying the essential characteristics laid down in the document. The product manufacturer may delegate preparation of the KID to third parties, but this has no impact on its responsibility. The KID must contain a set of information on the key features of the product, including the risks and costs inherent to the investment so that retail investors may easily compare products. It must be a short, plainly-worded, stand-alone document which is clearly separate from marketing materials.

Preparation of the KID is required for so-called "packaged investment products" which are products with a return which depends on the evolution of one or several assets (which do not have to be bought by the investor) or reference securities other than interest rates. At any event, the concept covers the following products: investment funds (in this case with an additional transition period of three years before the KID enters into force), insurance-based investment products, structured products and derivatives.

It expressly provides that an investor may make a claim for damages for any loss caused against whoever has produced a document which does not comply with the requirements established in the Regulation. The burden of proof will lie with the latter. It also clarifies a series of breaches and their corresponding sanctions and indicates that supervisors must have the power to impose these sanctions in the event of a failure to comply by the preparers of the KID.

2.2.5 UCITS V (in process)

Although the current Directive on undertakings for collective investment in transferable securities (UCITS), Directive 2009/65/EC, known as UCITS IV, was approved in July 2009, the Commission has recently proposed (3 July 2012) a new amendment aimed at rectifying some gaps revealed by the financial crisis.

Specifically, the proposal for an amendment to the Directive aims to strengthen the UCITS depositary, which has so far been less regulated. To this end, it proposes regulating its functions and liability, and introducing rules relating to the remuneration of managers which are in line with the investment objectives of the UCITS and to prevent said remuneration creating incentives for short-term policies which usually involve greater risks.

Finally, this proposal has also acted as a route for introducing the revision of sanctioning policies in the financial sector into the area of UCITS. It is therefore being presented at the same time as the proposal for a regulation on PRIPs and the revision of the Directive on Insurance Mediation, which transfer the new sanctioning regime to the area of retail investment and insurance mediation, respectively.

The aim of this new sanctioning policy is for administrative fines to always exceed the potential benefits from committing breaches, as well as to introduce harmonised rules on the amount of the sanctions and their publication. As a whole, this new regime represents one of the firmest commitments of the Commission to restore investor confidence in financial markets and to improve the functioning of said markets. It is important to remember that the lack of ethics, as well as the lack of suitable sanctioning measures were key factors in generating and accentuating the crisis.

3 Review of the main directives in force and other initiatives relating to the Single Market

3.1 Reform of the Prospectus Directive (Directive 2010/73/EU)

On 24 November 2010, the European Parliament and the Council approved Directive 2010/73/EU, which amends Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market. Similarly, the European Commission, making use of its delegated legislative power, has modified Regulation (EC) 809/2004, which is related to the Prospectus Directive.[9]

The review of the Prospectus Directive, formally proposed on 24 September 2009, corresponds with the provision in Article 31 of the Directive itself, which envisages a review five years after its entry into force so as to evaluate its application, and with the European Commission Action Programme for Reducing Administrative Burdens in the EU, approved in 2007.

The review concluded that there were unnecessary administrative burdens for issuers which could be reduced. However, at the same time, given that the review coincided with the start of the current financial crisis, it was considered appropriate to improve the protection offered to investors as the gaps observed had repeatedly contributed towards accentuating the crisis, especially as regards information provided to investors. In this regard, the Directive harmonises some contents of the prospectus and improves the content of its summary, making it easier for investors to compare information.

The following key new elements are introduced:

– Simplification of the prospectus for certain issues (for example in the case of SMEs or, in general, companies with reduced capitalisation).

9 The reform of the Regulation on Prospectuses is implemented through Regulation 486/2012 as regards the format and content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements, and Regulation 862/2012, as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors.

– Removal of the reporting requirements which overlap with the contents of the Transparency Directive.

– The possibility that issuers of non-equity securities may choose their Member State.

– Modification of the definition of "qualified investors" so as to adapt it to that of "professional clients" introduced by the MiFID.

– Clarification of the exemptions to the requirement to publish prospectuses when securities are offered under an employee share scheme for companies resident in the EU and in the case of successive offers through an intermediary of a security which has previously been placed in the primary market.

3.2 Review of the Markets in Financial Instruments Directive (in process)

Together with the reform of Directive 2003/6/EC on market abuse, on 20 October 2011, the European Commission sent its proposal for a reform of Directive 2004/39/EC, on markets in financial instruments (known as MiFID), to the European Parliament and to the Council. As mentioned above, the proposal for the reform of the MiFID does not only include a proposal for a directive, but also a proposal for a regulation which will allow the direct application of certain measures to Member States.

Although the assessment of the effectiveness of the legislation and its review was provided in its articles,[10] the proposal presented by the Commission also takes into account the deficiencies in market functioning detected during the crisis, especially as regards new investment products and the functioning of trading venues. In this regard, the proposal is clearly influenced by the commitments adopted by the G-20, mainly at the Pittsburgh summit in September 2009, to review the least regulated and darkest aspects of the financial system, and to improve the organisation, transparency and supervision of markets, especially those of OTC derivative products. It should also be highlighted that a similar legislative initiative was adopted in the United States, which will lower the probability of regulatory arbitrage between both sides of the Atlantic.

As indicated above, the reform of the MiFID is implemented both by means of an amendment to the Directive and through implementation of a Regulation. This legislative strategy is a consequence of the recommendations of the report issued by the De Larosière Group, which are largely reflected in the conclusions of the Council of June 2009 on strengthening financial supervision in the EU. These conclusions include minimising, as appropriate, the discretionary powers of the Member States when transposing the financial services directives of the EU with the aim of achieving a level playing field. Consequently, part of the proposal for amending the MiFID

10 One of the main reasons behind the review of the MiFID was the evolution of markets and technological progress. In fact, this progress has led to several provisions of the Directive becoming obsolete, which could undermine investor protection and competitiveness of markets.

is implemented by means of a Regulation, which will allow direct application to all Member States of certain measures aimed at achieving greater integration, competitiveness and efficiency in financial markets.

The proposal for reform has undergone numerous amendments over the internal discussion process by the Commission. Based on the commitment for a review defined in the Directive itself in 2004, the proposal has served for channelling supplementary amendments to the EMIR Regulation as regards derivative markets and, in its final version, it has addressed insufficiencies in the regulation arising from its quick evolution. A significant part of the changes introduced during this process are linked, although not exclusively, with other initiatives arising from the Commission, such as the revision of the Directive on Market Abuse, the proposal for a Regulation on packaged retail investment products, the aforementioned EMIR Regulation, the reform on corporate governance and the reform of the sanctioning regime.

The proposal for a Regulation aims to comply with Article 65 of the MiFID in those rules which involve extending the scope of the Directive, as well as supplementing the EMIR Regulation in some provisions relating to derivatives and central counterparties in such a way that the main new aspects introduced into the proposal for a Regulation are as follows:

– Reporting details of transactions to the competent authorities: the transparency rules (both pre-trade and post-trade) currently applicable to shares and other financial instruments are extended.

– Disclosure of new trading data to the public.

– Removal of barriers to clearing facilities: provisions are included aimed at banning discriminatory practices which may undermine competition in this area.

– Mandatory trading of derivatives on organised venues: it provides that trading of those derivatives which exceed the clearing threshold set by the EMIR Regulation must take place on organised venues, both for financial and non-financial counterparties.

– Improvements in supervision of financial instruments and positions: competent authorities are allowed (in coordination with the European Securities and Markets Authority) to set permanent bans on activities, practices or financial instruments. ESMA is also permitted to temporarily ban them under set specific conditions.

– Supervision of emission allowances: extension to markets for emission allowances of the legislation applicable to market abuse and the MiFID. This therefore also guarantees consistency with the regime applicable in the EU to emission allowance derivatives as it lays down a single supervisor for spot and derivative markets for emission allowances.

– Provision of investment services by third country firms without a branch: although the provision of these services to retail clients will require the establishment of a branch, for services provided to eligible counterparties, the company which wishes to provide the services will be subject to registration with the European Securities and Markets Authority.

For its part, the proposal for a Directive amends aspects contained in the legislation currently in force as a consequence of the review provided in Article 65 of the Directive, especially bearing in mind the analysis of the functioning of this Directive during the crisis. The key aspects of the proposed reform are as follows:

– Extension of the MiFID requirements as regards conduct of business and conflict of interest rules: their application is extended to structured deposits by credit institutions, and to investment firms and credit institutions selling their own securities when not providing any advice.

– Trading facilities: update of the categories considered within the scope of organised trading infrastructures. It introduces a new category, that of organised trading facilities, which will be classified as a trading venue, together with regulated markets and multilateral trading facilities. Organised trading must take place through one of these trading venues or through a systematic internaliser.

– Reform in the area of corporate governance: improvements are proposed in relation to the profile, roles and responsibilities of both executive and non-executive directors and in relation to the composition of management bodies of investment firms and operators of regulated markets.

– Strengthening of organisational requirements: under the proposal, the MiFID will be applicable to all entities involved in high-frequency trading and appropriate organisational requirements will be established both for these companies and for those which give access to the market to other high frequency operators, and trading venues will be required to adopt adequate risk control methods for this activity.

– Improvements to investor protection: the key measures with this objective include clarification of the incentive scheme received from third parties with regard to advisory services (the client or potential client must be provided with information on whether the advice on the investment has been provided independently, in which case no incentives may be received, or whether it is based on an overall or more restricted analysis); the introduction of the framework to regulate cross-selling; strengthening management obligations for investment firms and their agents as regards the handling of funds or instruments belonging to clients (and it classifies the safekeeping of financial instruments on behalf of clients as an investment service). More specifically, with regard to non-retail clients, it indicates that the overarching high-level principle to act honestly, fairly and professionally and the obligation to be fair, clear and not misleading should apply irrespective of client categorisation. It also proposes that firms should provide eligible counterparties with clearer and more extensive documentation on the services provided.

– Strengthening the sanctions regime: in parallel with the reform of the sanctioning regime contained in the proposal for a reform of the Directives on

Capital Requirements and Insurance Mediation, this proposal harmonises the sanctions regime, ensuring that supervisors have a minimum standard set of measures and sanctions. It also establishes that the sanctions and measures should be published, and it sets forth the criteria to take into account when deciding the type and level of the sanction. It establishes a minimum level for said sanctions.

3.3 Review of Directive 2003/6/EC on Market Abuse (in process)

As mentioned in the point above, on 20 October 2011 the Commission also approved a reform of the regulatory framework as regards market abuse, which covers breaches relating to insider dealing and market manipulation. The reform is implemented, firstly, through a proposal for a Regulation on insider dealing and market manipulation and, secondly, through a proposal for a Directive on criminal sanctions for insider dealing and market manipulation.

The main new aspects included in the two proposals implementing the review of the legislative framework as regards market abuse are as follows:

– Extension of the scope of application of the measures provided in the current Directive: under the proposal, application of the current market abuse legislation in the EU will be extended to financial instruments only traded on multilateral trading facilities, other organised trading facilities and over-the-counter markets (providing their underlying asset is subject to market abuse legislation), so that all instruments traded on any trading platform, as well as the derivative instruments which may have an impact upon them, will be covered by market abuse legislation. It also clarifies which high-frequency trading strategies constitute prohibited market manipulation, such as submitting orders without an intention to trade but to disrupt the trading system ("quote stuffing").

– Sanctioning and investigative powers of competent authorities: the proposal extends the current reporting of suspicious transactions also to suspicious unexecuted orders and suspicious OTC transactions. It grants regulators the power to obtain telephone and data traffic records from telecoms operators as well as to access private documents or premises when a reasonable suspicion exists that market abuse has been committed. It guarantees protection for whistleblowers and sets incentives for reporting information about market abuse. Finally, a new offence of "attempted market manipulation" is introduced to make it possible for regulators to impose a sanction in cases where someone tries to manipulate the market but does not succeed in actually trading.

– Adaptation of administrative burdens on SMEs issuers: under the proposal, issuers on SMEs markets will be exempt from the requirement to draw up lists of insiders, unless the supervisor demands otherwise. The threshold for the reporting of managers' transactions will also be raised.

It should be indicated that the Commission was forced to modify both proposals when they were being processed by the Parliament and the Council in order to take into consideration the experience of a recent case of manipulation of the Libor interbank lending rate, which had a considerable impact. Specifically, the amendment involves extending the scope of the proposed regulation to include benchmarks and changing the definition of the offence of market manipulation to capture manipulation of benchmarks themselves and attempts at such manipulation. Both proposals were still being processed as of the publication date of this article.

3.4 Review of the Transparency Directive (in process)

On 25 October 2011, the European Commission sent the European Parliament and the Council its proposal for the revision of Directive 2004/109/EC on transparency of listed companies.

The revision is a response to several objectives set by the European Commission over recent years. Firstly, the provisions of the Directive itself establish that the Directive should be enhanced by taking advantage of the experience accumulated in its application so that the information reported is clearer and more effective in order to ensure greater investor protection. Secondly, the review serves as a method to implement within the scope of listed companies one of the Commission's political priorities, to boost growth and strengthen confidence, contained in the Communication from the European Commission on the Single Market Act of April 2012, and which is translated into more proportioned adjustment of the obligations as regards the information which listed SMEs must provide to the market. Thirdly, the revision of this Directive is framed within the measures aimed at strengthening financial stability in that it aims for functional integration of European securities markets and for an increase in investor confidence. Finally, the reform translates to the area of transparency requirements the conclusions of the aforementioned Communication from the Commission on the application of stricter sanctioning regimes in the financial services sector.

The key measures proposed in the reform are as follows:

– Elimination of the requirement for all listed companies to publish quarterly financial reports: the aim is to reduce the costs of being listed, which are particularly significant in the case of small and medium-size enterprises.[11]

– Non-binding guidelines, prepared by the European Securities and Markets Authority, on the content of financial reports with the aim of reducing reporting burdens for small and medium-sized enterprises.

– Extension of the disclosure regime for notification concerning major holdings to all financial instruments of similar economic effect to holding of shares and entitlements to acquire shares, which includes cash settled derivatives. These instruments are sometimes used to secretly acquire holdings in listed companies, which hinders transparency on the structure of corporate ownership.

11 In the process of preparing the proposal, it was considered better not to introduce differentiated reporting obligations based on the size of the issuer, due to the negative impact this could have on market quality and investor protection.

- Harmonisation of the regime for disclosure of major holdings of voting rights: under the proposal, it will be necessary to aggregate holdings of shares with those of financial instruments giving access to shares (therefore including cash settled derivatives), as regards calculating thresholds for notification of major shareholdings. The notifications must include a breakdown by type of financial instrument so as to provide the market with more detailed information.

- Reporting of payments made to governments by issuers in each one of the countries in which they operate. These payments are especially significant in the case of some entities, such as those belonging to the extractive industry (oil, gas and mining) and reporting is established in response to the commitment taken on in Deauville by G-8 countries. Therefore, comparable measures can be found in the legislation of other countries, such as in the United States.

- Sanctions: in line with the reform of the sanctioning framework for financial services, the sanctioning powers of competent authorities are enhanced. These include, for example, the power to suspend the exercise of voting rights of the issuer who breaches the notification rules on major holdings. Furthermore, as a general rule, sanctions should be published.

3.5 Regulation on central securities depositories (in process)

The Commission has been working for almost a decade on harmonising and integrating European settlement systems. Achieving safer and more effective settlement forms part of an international consensus reflected in the *Recommendations for securities settlement systems*, a report published in 2002 by the Committee on Payment and Settlement Systems and IOSCO.

The proposal for a Regulation completes the regulatory framework of the infrastructures of securities markets, which is covered by the MiFID as regards trading platforms and by the EMIR for central counterparties. Given the time of its approval and the need to provide central securities depositories with a uniform legal status throughout Europe, as indicated in the ECOFIN of 2 December 2008, the proposal has adopted the form of a Regulation and not a Directive. It is also impossible to separate the proposal from the project promoted by the Eurosystem, known as Target 2-Securities (T2S), which will create a platform for cross-border settlement of securities in Europe and which, in the Commission's opinion, will lead to an increase in cross-border transactions as from 2015. The Commission has therefore considered it essential to reduce the costs and risks caused by the lack of integration in European settlement systems, which mostly lead to a succession of depositories and other intermediaries in the holding of securities during cross-border settlement.

The reform is based on the work performed by two groups of experts. In July 2004, the Commission set up a group of experts in the area of clearing and settlement known as CESAME (European Commission's Clearing & Settlement Advisory and Monitoring Expert Group). In 2008, in view of the changes in markets following the outbreak of the financial crisis, the group's structure was changed and it is currently known as CESAME 2.

Broadly speaking, the proposal, which was published on 7 March 2012 and is still in the stage of approval by the European Parliament and the Council, has the following objectives:

- It introduces an obligation to represent all transferable securities in book entry form.

- To require securities to be recorded by central securities depositories if traded through trading venues. CSDs must segregate the accounts of each participant from those of other participants and enable participants to segregate the accounts of each of the participants' clients.

- To review the sanctioning regime and market discipline so that the participants in a market that fail to deliver securities on the intended settlement date shall be subject to sanctions and be required to buy securities on the market and deliver them to their counterparties.

- To perform cash settlement through central bank accounts whenever possible. Commercial bank money settlement is allowed, but only through those which have been authorised by supervisors as "settlement agents" (there will normally only be one agent per CSD unless credit and liquidity risks make it recommendable to appoint more than one agent). It will be these agents that provide banking services ancillary to settlement (opening cash accounts and granting credit facilities to facilitate settlement). This avoids transferring banking service risks to the basic services provided by the CSD.

- To harmonise settlement periods so that settlement takes place at the latest two days after the trading day.

- To authorise uniform rules regarding authorisation of CSDs, as well as prudential and organisational requirements and rules on risks based on the recommendations of the Committee on Payment and Settlement Systems and IOSCO.

- To introduce a passport for CSDs, which will allow them to provide services in other Member States. It also promotes that CSDs should have access to other infrastructures irrespective of the EU country where they are located.

3.6 Regulation on transferable securities (in the preliminary discussion stage by the Commission)

The Commission's plan of activities for 2012 includes this proposal for a Regulation aimed at harmonising national legislation for holding and transferring securities.

This initiative, which already appeared in the Commission Work Programme for 2010, although in the form of a proposal for a Directive, is based on the first of the two Giovannini reports, published in 2001. This report was drawn up with the aim of identifying the source of the inefficiencies seen in cross-border clearing and settlement arrangements. The report identified 15 clear barriers which could be grouped under three main headings: (1) national differences in technical requirements/market practice; (2) tax procedures; and (3) national provisions which weaken legal certainty in cross-border transactions.

This initiative addresses the third heading and involves a great deal of complexity. Given that it aims to amend issues which belong to the private law of each country, the proposal must overcome the reluctance of different legislators to harmonise their national regimes in this area.[12]

The initiative is aimed at allowing investors to exercise the rights inherent to their transferable securities in a standardised manner in all European countries. To this end, the proposal aims to strengthen transparency as regards who owns the securities which are transferred or in the power of the potentially long chain of financial intermediaries involved in cross-border securities acquisitions i.e. acquisitions in a specific market by non-resident investors. The proposal also aims to improve investor protection in the event of the insolvency of one of these financial intermediaries.

It should be pointed out that an increase in legal certainty on ownership of securities in supranational transactions is necessary for the correct functioning of central counterparties, which must be certain as regards who the true owners are of the securities delivered as collateral for transactions. Furthermore, the lack of legal certainty has been identified as one of the factors leading to an increase in the cost of investing in the transferable securities of another country,[13] which in turn leads to greater fragmentation in European markets.

In short, this initiative, which aims to strengthen the effectiveness of other initiatives relating to market infrastructures, is considered as essential for building a true single market for financial services.

4 Conclusions

There has been a significant increase in initiatives from the European Commission between 2010 and 2012 as regards regulating securities markets. This increase is mainly driven by the financial crisis, specifically the attempt to respond through regulation to the problems detected in the origin and development of the crisis. A certain number of initiatives are also the result of compliance with the review provisions contained in the main directives approved in the first half of the last decade with the aim of promoting the Single Market, although said initiatives also include measures resulting from the crisis. It is also important to bear in mind that the financial crisis has revealed insufficiencies in the European integration process. In this context, the review of the main securities directives in force takes on special

12 While the proposals as regards the other barriers detected in market infrastructures have been approved by the Commission, the proposal for harmonising securities legislation is still in the internal discussion stage by the Commission.

13 According to the European Commission, it costs up to 4 times more to clear and settle a cross-border transaction compared to a domestic equivalent (http://ec.europa.eu/governance/impact/planned_ia/docs/2009_markt_050_securities_law_en.pdf).

importance as it may contribute to decisive and solid progress towards a single market for financial services.

Within the initiatives which are particularly related to the crisis, we can highlight those which are closely based on the recommendations of the Financial Stability Board and international bodies in the area of financial regulation, such as the Basel Committee on Banking Supervision and IOSCO, with regard to the agreements reached by the G-20. In the period analysed in this article, the European Union has already adopted significant legislative measures of this type, such as: those relating to securitisation and re-securitisation practices, as well as to the remuneration policies of financial institutions; strengthening micro-prudential supervision and establishing a macro-prudential supervisor at a European level; regulation of alternative investment fund managers; supervision of credit rating agencies; regulation of short selling; and clearing through central counterparties of standardised derivative products traded over the counter.

The initiatives in progress which are still in the procedure stage bode well for the approval of new rules aimed at addressing the problems associated with the origin of the crisis or accentuated through development of the crisis. These initiatives include the following: measures aimed at strengthening the quality and good governance of financial institutions, including investment firms; adoption of crisis prevention and resolution mechanisms for systemic entities; introduction of measures which encourage competition between rating agencies and reduce the excessive importance which their ratings currently have on the market; review of the auditing standards for the financial sector; improvement of deposit guarantee schemes; and establishment of a harmonised information document for packaged retail investment products.

With regard to the review of the major Single Market directives, the review of the Prospectus Directive has been completed to date. With regard to the other reviews, it is important to remember the complexity of the proposal for reform of the MiFID, which in addition to aiming to improve investor protection in the scope covered by the current Directive, has taken into account, among other considerations, the significant changes which have taken place in trading venues and operations of recent years. The review of the MiFID also aims to extend the rules on transparency to cover transactions in other financial instruments which are not currently covered in the Directive. For its part, the proposed review relating to market abuse also follows the same direction as it proposes extending the legislation to instruments which are not currently covered and, at the same time, it aims to introduce a minimum harmonised treatment throughout Europe for market abuse breaches. With regard to the review of the Transparency Directive, it is important to highlight the simplification of certain reporting requirements for listed companies with the aim of reducing compliance costs, a measure which may be particularly beneficial for small and medium-sized companies.

Both the proposals for reviews of the main directives and the other initiatives have included measures based on an analysis of the financial crisis and its impact. Similarly, the current context has made it possible to accelerate the preparation and formal presentation of some legislative initiatives which started to be considered before the crisis broke out. This has specifically been the case of the initiative to establish a harmonised regulation as regards central securities depositories, which would complete the regulation of the main market infrastructures together with the MiFID (trading infrastructures) and the recent EMIR Regulation (central counterparties).

ESMA guidelines on certain aspects of the MiFID compliance function requirements

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1 Introduction

Directive 2004/39/EC, of the European Parliament and of the Council, of 21 April 2004, on markets in financial instruments (MiFID) established the regulatory and control framework governing the activity of companies which provide investment services in securities market. Legislative requirements, internal control and the relationship with supervisors became essential pillars supporting these firms' activities. It is important to highlight that the main new aspect provided by the MiFID as regards the organisational structure of investment firms was the requirement for an independent compliance function with a position in the organisational structure separate from the other areas of activity of the firm.

The current financial crisis has revealed the need to clarify the role of the compliance function, especially taking into account the extensive regulation affecting investment firms which has been approved over recent years. Adapting to the new regulatory framework is complex not only because of the high number of laws which have been implemented in recent years, but also because of the style of regulation set forth in the new directives and their implementing provisions. On the one hand, it is particularly important to respond to the spirit of the law, which tends to increasingly conceive compliance more as a high-level consultancy function in the regulatory field, with special attention paid to identifying and preventing compliance risk. On the other hand, we can see that investment firms often assign a secondary role to compliance risk compared with other risks, which could lead to the deficient implementation of compliance function procedures.

With the aim of increasing the effectiveness of the compliance function within investment firms and to encourage investment firms to give this function the importance it deserves, in June 2012, the European Securities and Markets Authority (ESMA) approved a set of guidelines on certain aspects of the MiFID compliance function requirements.[1] Specifically, the guidelines focus on three essential aspects: 1) the responsibilities of the compliance function with regard to monitoring, reporting and advising; 2) the organisational requirements of the function in relation to standards of effectiveness, permanence and independence; 3) the level of interaction with other functions and outsourcing of its tasks; and 4) the approaches for reviewing the requirements applicable to the function by competent authorities. The aim of addressing this last point is to foster greater convergence of supervisory practices in this area.

1 Guidelines on certain aspects of the MiFID compliance function requirements', available at http://www.esma.europa.eu/system/files/2012-388.pdf

This article analyses in greater detail the background (section two) and the content of the different sets of guidelines (section three). Section four addresses the CNMV's intention, which it has reported to ESMA, of complying with the guidelines, although it is shown that, in practice, this decision will not involve any substantial change in supervisory actions or new burdens for investment firms as Spanish regulation has so far been based on criteria similar to those adopted in the guidelines.

2 Background

The requirements of the MiFID and its implementing legislation as regards the internal control of investment firms essentially focus on three aspects:

- The creation of a compliance function with the aim of controlling the measures and procedures to detect compliance risk and to reduce said risk, as well as to advise and assist the firm's staff on compliance issues.

- The obligation to monitor the risks which the firm may incur. Depending on the nature, scale and complexity of the activities it performs, the firm must establish a specific separate risk control function.

- In certain cases setting up an internal audit function, which the MiFID defines as a function maintained independently from other functions of the firm and which shall establish, implement and maintain control procedures on the adequacy and effectiveness of the firm's systems and internal control mechanisms. This function shall review procedures, make recommendations for improvement and draft an annual report on the firm's level of compliance.

The compliance function is therefore responsible for checking that the procedures and actions meet the requirements of legislation, and for advising the firm so that its activities do not deviate from the requirements established in the regulation. Adequate establishment of the compliance function involves, among other measures, adopting the actions necessary to monitor and report on compliance, identify and assess compliance risks, adapt procedures to legal changes and facilitate supervision by competent authorities and to advise the firm on this matter. This all confers an essentially preventative purpose to the compliance function.

As indicated above, there has been significant regulatory activity affecting investment firms over recent years. The complexity of the current legislative framework requires, if possible, effective actions conducted by the compliance functions of these firms. In this context, the compliance function tends to be increasingly seen more as a high-level consultancy function as regards the organisational and operational adaptation of firms to regulation and the prevention of compliance risks. Accordingly, the compliance function must not only be fully aware of the extensive and complex MiFID legislation, but it must also be able to interpret it appropriately with regard to the characteristics of the firm itself. This requires that compliance officers also have a good knowledge of the firm, which will allow them to adapt current legislation, and any changes which may arise in the future, to the firm's structure in an effective and efficient manner.

The supervisory experience of the competent European authorities has revealed a failure to observe full and effective compliance with the MiFID compliance function requirements and that firms often do not give the compliance function the importance it deserves. Supervisory experience has also revealed inconsistencies in the interpretation of these requirements among the different Member States.

With the aim of improving clarity and fostering convergence between the members of the European Union as regards the necessary organisational requirements and the scope of the compliance function, ESMA drew up a series of guidelines on certain aspects of the MiFID compliance function requirements. The aim of drawing up these guidelines was also to strengthen the importance of said function within firms. Another objective of the guidelines was for the firms providing investment services to adopt the measures necessary to comply with the provisions of Article 13 of the MiFID relating to organisational requirements of investment firms, and Article 6 of the implementing directive of the MiFID (Directive 2006/73/EC), relating to compliance.

In May 2011, ESMA set up a working group, in which the CNMV actively participated, with the aim of drawing up a preliminary document with proposals for guidelines. This document was submitted to a two-month period of public consultation on 22 December 2011. Some modifications were subsequently made, mainly in order to clarify certain aspects, such as application of the proportionality principle and the function of the compliance officer.

Finally, the guidelines were published, firstly, on 6 July 2012 in English and, following the procedures established in Article 16 of the ESMA Regulation, on 28 September 2012 in the different languages of the Member States. From that moment, a period of two months was opened for each competent authority to inform whether it intended to comply with the guidelines. The guidelines will then apply in the States which agree to comply with them as from 60 calendar days following the deadline for notifying said intention.

The guidelines are issued pursuant to Article 16 of the ESMA Regulation. Article 32 of the MiFID indicates that investment firms shall establish adequate policies and procedures sufficient to ensure compliance by the firm, its managers, employees and tied agents with its obligations under the provisions of the Directive. In this case, the aim is to facilitate greater clarification of the provisions, both of the MiFID and its implementing directive (Directive 2006/73/EC), on the requirement for compliance and effective operation of the responsibilities deriving therefrom.

The guidelines focus on indicating that firms must allocate, bearing in mind their nature and circumstances, appropriate human and material resources to the compliance function, and ensure that compliance staff have the necessary training and experience to discharge the assigned tasks. Furthermore, the compliance function must occupy a position in the organisational structure which ensures that it may discharge its duties in accordance with the principles of independence and authority.

3 Content of the guidelines

The approved text is made up of one general guideline and several supporting guidelines and is structured into three groups of guidelines: responsibilities, organisational requirements and competent authority review of the compliance function.

3.1 Responsibilities

The first group of recommendations, focused on the responsibilities of the compliance function, is in turn divided into four guidelines.

Guideline one, relating to compliance risk assessment, establishes the duty of firms to ensure that the compliance function takes a risk-based approach in order to allocate the function's resources efficiently. The compliance function must perform a compliance risk assessment regularly, taking into account the investment services, activities and ancillary services provided by the firm, as well as the type of financial instruments traded and distributed in order to efficiently allocate resources to the compliance function and determine the objectives and work programme of the monitoring and advisory activities of the compliance function.

Taking a risk-based approach is not in itself a novel aspect, but it has an impact on the consideration of compliance as another risk to manage and prevent, establishing that it is mandatory for firms to apply and maintain policies and procedures to monitor and minimise the risk, as is the case with the other risks which affect the firm's activity, processes and systems. As highlighted in the COSO (Committee of Sponsoring Organizations of the Treadway Commission) report, risk management does not only make a decisive contribution to achieving business objectives in the broadest sense (and in their four categories: strategic, operations, reporting and compliance), but is also a factor in building value as it allows the entity and its management to effectively deal with uncertainty and associated risk and opportunity.[2]

Guideline two refers to the compliance function's monitoring obligations, indicating that it must establish a monitoring programme which takes into consideration all areas of the investment firm's investment services, activities and any relevant ancillary services and which establishes priorities based on the compliance risk assessment. The aim of a monitoring programme should be to evaluate whether the firm's business is conducted in compliance with the MiFID and whether its internal guidelines and control measures remain effective.

Monitoring programmes are adopted in response to the need for ongoing adaptation of the compliance function to the firm's risk profile and internal characteristics. Accordingly, the compliance function must conduct an ongoing analysis of the firm's situation with regard to regulatory risk and adapt the responses to the firm's evolution. It therefore reflects the growing versatility and flexibility of the financial

2 Committee of Sponsoring Organizations of the Treadway Commission (2004): *Enterprise Risk Management - Integrated Framework*. See, for example, the executive summary of this publication, available at http://www.coso.org/documents/coso_erm_executivesummary.pdf.

system, ensuring compliance with the different objectives of regulation (competition, market integrity, stability of the financial system and investor protection).

The risk-based approach should form the basis for determining the most appropriate tools and methodologies (for example, aggregated risk measurements, exception reports, issues log, observation of procedures, interviews, etc.) used by the control function, as well as the extent of the monitoring programme and the frequency of the monitoring activities it performs.

Guideline two also makes reference to the possibility that the firm is part of a group. In this case, responsibility for the compliance function rests with each investment firm in that group. Each firm should therefore ensure that its compliance function remains responsible for monitoring its own compliance risk, which includes the cases in which the firm outsources compliance tasks to another firm within the group. The compliance function within each firm should, however, take into account the group of which it is a part.

Guideline three refers to the reporting obligations of the compliance function. Firms should ensure that the compliance function sends written reports to senior management at appropriate intervals and at least annually. These reports should cover all business units involved in the provision of investment services, activities and ancillary services, and should clearly state the reasons if they do not do so. They should also include a description of the implementation and effectiveness of the control over the activities performed by the company, a summary of the risks and deficiencies identified, the corrective measures taken and to be taken, the risks identified in the scope of the compliance function's monitoring activities, developments in regulatory requirements over the period covered by the report and other significant issues, as the case may be.

Furthermore, when the compliance function makes significant findings, the compliance officer should report these promptly and specifically to senior management.

Guideline four refers to the advisory obligations of the compliance function. In particular, it indicates that the obligations of the compliance function in this area include collaborating in organising on-going training for the business units in the area of investment services and activities by providing regular advice to staff from the operative units and being available to answer the questions put to it. It also indicates that the compliance function should participate in establishing new policies and procedures in the area of investment services, activities and ancillary services and should promote a compliance culture throughout the firm.

3.2 Organisational requirements

The second group of guidelines, on organisational requirements of the compliance function, is made up of six guidelines, specifically from guideline five to guideline ten, both inclusive, in accordance with the order established in the text approved by ESMA.

Guideline five refers to the effectiveness of the compliance function, indicating that firms should ensure that appropriate human, IT and other resources are allocated to the compliance function, taking into account the scale and type of services provided. They should also provide access to senior management or the supervisory function, if this exists, of all the firm's relevant databases and information systems, as well as to any internal or external audit reports or other reports.

They should also provide the compliance officer with sufficient authority to exercise his/her functions in a satisfactory manner and to guarantee access to all relevant information. The investment firm's compliance policy should explicitly acknowledge the specific authority of the compliance staff.

The compliance officer should have sufficient knowledge and experience to be able to assess the firm's compliance risks and conflicts of interest, and be able to demonstrate sufficient professional experience to assess said risks and conflicts.

Furthermore, the firm should allocate a budget to the compliance function that is consistent with the level of compliance risk the firm is exposed to.

Guideline six refers to the permanence of the compliance function. It indicates that the compliance function should perform its activities on a permanent basis. In this regard, firms should establish adequate arrangements and develop written procedures which ensure that the responsibilities of the compliance function are fulfilled when the compliance officer is absent.

The responsibilities, competences and authority of the compliance officers should be set out in a policy or internal rules that take account of the nature, scope and complexity of the services provided by the firm. This should also include information on the compliance function's monitoring programme, reporting duties and risk-based approach applied.

In addition, it indicates that the compliance function should be able to respond rapidly to unforeseen events.

Guideline seven, relating to the independence of the compliance function, establishes that firms should ensure that the compliance function has a position in the organisational structure that ensures that the compliance officer and other compliance staff act independently when performing their tasks.

The compliance officer should be appointed and replaced by senior management or by the supervisory function, as the case may be. Where senior management deviates from recommendations issued by the compliance function, the compliance officer should document this and present it in the compliance reports.

Guideline eight, relating to exemptions, indicates that firms are not required to comply with the provisions set out in Article 6(3)(c) and (d) of Directive 2006/73/EC if as a result of the nature, scale and complexity of their activities and services, they can demonstrate that said requirements are disproportionate and effectiveness of the compliance function is not compromised.[3]

In order to qualify for this exemption, firms must take into account a series of criteria, such as the types of investment services, activities and ancillary services and other business activities provided by the investment firm, the scope and volume of the investment services, activities and ancillary services carried on, the types of instruments offered to clients, the types of client, the staff headcount, whether the firm is part of an economic group, the services provided through a commercial network, cross-border activities and the sophistication of their IT systems. These criteria established by ESMA may help both investment firms and supervisors when determining the aforementioned exemptions.

A firm may fall under the proportionality exemption if the performance of the necessary compliance tasks does not require a full-time position. Accordingly, while a compliance officer must always be appointed, it may be disproportionate to require a smaller investment firm with a very narrow field of activities to appoint a separate compliance officer. In this case, where a firm makes use of the exemption for reasons of proportionality, conflicts of interest between the tasks performed by the relevant persons should be minimised as far as possible.

Where an investment firm makes use of this exemption, it may combine the legal and compliance function. However, an investment firm with more complex activities or greater size should generally avoid such combination if it could undermine the compliance function's independence.

Guideline nine refers to combining the compliance function with other internal control functions. Any such combination may be acceptable providing it does not compromise the effectiveness and independence of the compliance function. Where this combination occurs, firms must ensure that the responsibilities of each function are discharged properly and their performance is documented so it may be assessed by the competent authorities.

As a general rule, the compliance function should not be combined with the internal audit function (which is charged with overseeing the compliance function, among other activities), and the compliance staff should not be involved in the activities that they have to monitor. However, it may be acceptable to combine the compliance function with other control units at the same level (such as money-laundering prevention), providing this does not generate conflicts of interest or compromise the effectiveness of the compliance function.

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3 The letters quoted from Article 6(3) of Directive 2006/73/EC establish that, in order for the compliance function to discharge its responsibilities properly and independently, Member States should require investment firms to ensure that the following conditions are satisfied: the relevant persons involved in the compliance function must not be involved in the performance of services and activities they monitor (letter c) and the method of determining the remuneration of the relevant person involved in the compliance function must not compromise their objectivity and must not be likely to do so (letter d).

For practical reasons, in certain circumstances (for example, in firms with only a few members of staff) it may be more appropriate to have one person responsible for both functions. In this regard, firms should consider discussing the combination with the relevant competent authority. The compliance function should coordinate its activities with the second-level control activities performed by other units.

The decision on whether staff from other control functions also perform compliance tasks should be a relevant consideration in the determination of the relevant number of staff necessary for the compliance function.

Guideline ten, relating to outsourcing of the compliance function, indicates that firms should ensure that all applicable compliance function requirements are fulfilled, irrespective of whether all or part of the compliance function is outsourced. Responsibility for fulfilment of the requirements lies with senior management.

Firms should perform a due diligence assessment before outsourcing the compliance function, which will depend on the nature, scale, complexity and risk of the outsourced tasks. The purpose of this assessment is to ensure that the service provider has the necessary authority, resources, expertise and access to all relevant information in order to perform the outsourced tasks effectively and on an ongoing basis. In addition, senior management is responsible for supervising and monitoring the outsourced function on an ongoing basis.

Outsourcing of the compliance function may be an appropriate option when an investment firm, due to its nature, particularly its size or the scope of its activities, is unable to employ compliance staff who are independent of the services they must monitor.

3.3 Review by the competent authorities

Finally, guideline eleven refers to the supervision of the compliance function by the competent authorities. On this point, it indicates that the competent authorities should review how firms implement and maintain the MiFID compliance function requirements. This review should apply both to the authorisation process and to the ongoing supervision by the competent authority.

4 Position of the CNMV and impact on its supervisory activity

As indicated above, in accordance with the ESMA regulation, the CNMV has notified ESMA of its intention to comply with the set of guidelines referred to in this article. Therefore, the CNMV will take into account the guidelines on certain aspects of the MiFID compliance function requirements, although it is important to highlight that, in general, the guidelines now recommended by ESMA were already incorporated into its supervisory functions. The CNMV has sent a letter to associations in the sector so as to inform its associates of the decision to adopt the guidelines.

Because of the similarity to the approach adopted in the guidelines, it is important to indicate the line followed to date by Spanish regulation as regards compliance issues. Royal Decree 629/1993, of 3 May, on rules of conduct in securities markets and mandatory registers, already established the need for firms to draw up a mandatory internal code of conduct to regulate their management bodies, employees and representatives. It indicated the need to designate an internal code of conduct compliance body, which must draw up and maintain an up-to-date list of the persons subject to the code of conduct. This list must be made available to the competent authorities.

Furthermore, CNMV Circular 1/1998, of 10 June, on internal systems for the control, monitoring and ongoing assessment of risk, established that it was mandatory for firms to have an internal control body which was separate and independent, and which was responsible, *inter alia*, for the compliance function.

Therefore, application of these guidelines will not involve a substantial change for the CNMV in its supervisory practices or in the authorisation process of investment firms. For the same reasons, they are unlikely to generate new burdens for investment firms.

IV Legislative annex

New legislation approved since publication of the CNMV bulletin for the third quarter of 2012, in chronological order, is as follows:

– Commission Delegated Regulation 862/2012, of 4 June 2012, amending Regulation 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors.

  The amendment to Directive 2003/71/EC, on the prospectus to be published when securities are offered to the public or admitted to trading, by Directive 2010/73/EU made it necessary to amend Regulation 809/2004, as regards the consent of the issuer or the person responsible for drawing up the prospectus to the use of the prospectus by financial intermediaries and the information to be included in prospectus relating to underlying indexes and profit forecasts and estimates.

  This new Regulation thus establishes that the prospectus should include the consent of the issuer or the person responsible for drawing up the prospectus to its use by financial intermediaries and the conditions attached thereto.

  In addition, it clarifies that the description of proprietary indexes (indexes composed by the issuer) must appear in the base prospectus so as to ensure that said information is made available to investors in the most objective and transparent manner possible. Indexes composed by an entity belonging to the same group as the issuer are also subject to the same obligation.

  Finally, the reform maintains the accounting report on profit forecasts and estimates, clarifying that said report shall not be required for certain financial information providing specific conditions are met.

– Royal Decree 1336/2012, of 21 September, which amends certain Royal Decrees as regards the powers of European supervisory authorities.

  Royal Decree-Law 10/2012, of 23 March, which amends certain financial legislation as regards the powers of European supervisory authorities, began the transposition to Spanish law of Directive 2010/78/EU, of the European Parliament and of the Council, of 24 November 2010, amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority (ESMA).

  The aforementioned Directive forms part of the so-called "supervision package", whereby the aforementioned European supervisory authorities were created, as well as a macroeconomic supervisory authority: the European Systemic Risk Board (ESRB). In particular, the Directive introduces amendments to the sectoral directives so as to integrate these authorities in the European framework of cooperation between supervisors and so as to allow them to comply with the functions established in their respective regulations

This Royal Decree provides for the transposition of Directive 2010/78/EU, of 24 November, with the aim of incorporating the requirement for collaboration, information sharing and communication of the competent authorities, the Bank of Spain and the CNMV with regard to the corresponding European supervisory authorities. This completes the adaptation of Spanish supervisory arrangements to the obligations deriving from European Union law, which establishes the aforementioned European supervisory framework and provides it with those instruments considered essential for preventing a repeat of the financial practices which led to the economic crisis.

The Royal Decree introduces amendments in the following legislation: the Regulation implementing Act 13/1989, of 26 May, on Credit Cooperatives, approved by Royal Decree 84/1993, of 22 January; Royal Decree 1245/1995, of 14 July, on the formation of banks, cross-border activity and other issues relating to the legal regime for credit institutions; Royal Decree 1310/2005, of 4 November, which partially implements the Securities Market Act 24/1988, of 28 July, as regards admission to trading of securities on official secondary markets, public offerings, and the prospectus required for such purposes; Royal Decree 1332/2005, of 11 November, implementing Act 5/2005, of 22 April, on the supervision of financial conglomerates, amending other financial sector legislation; Royal Decree 1362/2007, of 19 October, implementing the Securities Market Act 24/1988, of 28 July, as regards transparency requirements in relation to information on issuers whose securities are admitted to trading on an official secondary market or on another regulated market of the European Union; Royal Decree 216/2008, of 15 February, on the equity of financial institutions; and Royal Decree 217/2008, of 15 February, on the legal regime of investment firms and other institutions which provide investment services, partially amending the Regulation of Act 35/2003, of 4 November, on Collective Investment Schemes, approved by Royal Decree 1309/2005, of 4 November.

It is worth highlighting the following amendments of Royal Decree 1310/2005, of 4 November, implementing the Securities Market Act as regards the admission to trading of securities on official secondary markets, public offerings and the prospectus required for such purposes:

– The CNMV shall notify ESMA with regard to the approval of the prospectus and any supplement thereto and shall provide ESMA with a copy.

– The cross-border effectiveness of the approved prospectuses depends on the CNMV notifying ESMA as well as the competent authority of the host Member State.

– ESMA shall be entitled to participate in on-site inspections performed jointly by the CNMV and another competent authority of the EU.

A new point 3 is added to Article 21 of Royal Decree 1362/2007, of 19 October, implementing the Securities Market Act 24/1988, of 28 July, as regards transparency requirements in relation to information on issuers whose securities are admitted to trading on an official secondary market or on another regulated market of the European Union, establishing that the CNMV must inform ESMA on the exemptions which it grants with regard to the requirement relating to periodic reporting in the event that Spain is the home State and the issuer is domiciled in a non-EU state.

It is important to highlight the following amendments to Royal Decree 216/2008, of 15 February, on the equity of financial institutions:

– With regard to the procedure for declaring branches as significant, in the event that an interested competent authority has referred the issue to ESMA, the CNMV will delay its ruling and will await the decision of the Authority, which it must abide by.

– The participation of ESMA is included in the colleges of supervisors provided in Article 91 *septies* of the Securities Market Act.

– A requirement is established to inform ESMA of any bilateral agreements entered into for the delegation of supervisory responsibilities as provided in Article 28 of Regulation (EU) No. 1093/2010, of 24 November, establishing a European Supervisory Authority.

– A requirement is established to inform ESMA and the ESRB of any emergency situation that may arise and, in particular, of an adverse evolution of financial markets that may compromise liquidity in the market and the stability of the financial system.

– The CNMV shall send ESMA a list of financial holding companies which control investment firms.

Finally, an amendment is made to Article 13 of Royal Decree 217/2008, of 15 February, on the legal regime of investment firms, establishing that the CNMV shall inform ESMA of all authorisations of investment firms in Spain and shall inform it of the difficulties that Spanish investment firms face when setting up or providing investment services in a non-EU State.

– Act 7/2012, of 29 October, which modifies tax and budget legislation and adapts financial legislation to intensify measures to prevent and fight tax fraud.

With regard to issues relating to securities markets, the first final provision of this Act amends Article 108 of the Securities Market Act so as to conform it, as originally established, as a measure against the tax evasion of security transfers which act as a cover for a transfer of real estate through the involvement of shell companies.

To this end, it simplifies the regulation and modifies the rule in order to correct the following aspects: it establishes the general exemption from Value Added Tax and Transfer Tax and Stamp Duty unless the aim is to evade payment of the taxes through transferring real estate of the entities which the transferred securities represent, in which case the operation shall once again be subject to the tax.

It also excludes the possible taxation of purchases of securities on primary markets, which will not be subject to this rule and, finally, it simplifies the wording of the article, changing it from an objective rule to an authentic rule for combating fraud, although it establishes a presumption of *iuris tantum* in the clearest cases which must, as the case may be, be challenged by the interested party if they do not wish for said anti-evasion measure to be applied.

The pertinent changes in the Act regulating Value Added Tax are introduced in line with this amendment.

– Act 8/2012, of 30 October, on the reorganisation and sale of real estate assets in the financial sector.

Royal Decree-Law 02/2012, of 3 February, on the reorganisation of the financial sector, was introduced with the aim of adopting urgent measures aimed at reorganising the balance sheets of credit institutions, which were negatively affected by the impairment of assets linked to the real estate sector. This legislation required credit institutions to establish new provisions for the lending portfolio and foreclosed assets and assets received in payment of debts relating to land for real estate development and real estate constructions or developments existing at 31 December 2011. Financial institutions must establish a one-off generic provision of 7% of the outstanding balance of assets classified as normal risk at 31 December 2011.

Following the same line set by this Royal Decree-Law, Royal Decree-Law 18/2011, of 11 May, on the reorganisation and sale of real estate assets of the financial sector was approved and convalidated by the Congress of Deputies (Lower House of Parliament), which agreed to process it as a Draft Law, leading to the approval of this Law.

The Law provides for the capital provisions required in addition to those established in Royal Decree-Law 2/2012 for the impairment of real estate loans classified as "in a situation of normal risk", which will be performed on a one-off basis at different rates depending on the different loan categories.

Accordingly, for real estate construction or development loans with collateral, the provision will be extended by 45% for land, 22% for developments in progress and 7% for finished developments. The provision will be extended by 45% in all cases in which there is no collateral.

These new requirements must be complied with by 31 December 2012, except for those institutions which carried out merger processes in the course of 2012, which will be allowed an extra 12 months as from the authorisation date.

Those institutions which, as a consequence of these provision requirements for real estate risk, reduce their solvency in such a way that their core capital or equity becomes deficient must include alternative measures in their compliance plan in order to meet the requirements in the legislation. In particular, if considered appropriate by the Bank of Spain, the institutions will be required to request public financial support through the FROB (Fund for Orderly Bank

Restructuring), which may inject capital through the acquisition either of ordinary capital or convertible instruments.

Furthermore, with the aim of isolating and selling in the market the assets on institutions' balance sheets which are hampering the recovery of lending, the Law provides the establishment of capital companies (referred to as "asset management vehicles") to which the credit institutions must provide all related assets that have been foreclosed or received as payment of debts relating to land for real estate development and land with real estate constructions or developments.

The contributions to the vehicle must be made before the end of the period for establishing provisions applicable to the institution and they must be measured at their fair value. In the absence of a fair value or when it is difficult to obtain said fair value, they will be measured at their carrying amount, which will be determined by taking into account the provisions which must be established for the assets in application of Royal Decree-Law 2/2012 and this Law.

In the case of institutions in which the FROB holds a majority interest or which are governed by a provisional administrator designated by the FROB, the FROB will decide whether or not the entity must establish the asset management vehicle.

The asset management vehicles of those institutions which have received financial support from the FROB will have the sole corporate purpose of administering and disposing of, whether directly or indirectly, the assets contributed to them, and their directors must have accredited experience in real estate asset management. Furthermore, they must dispose of at least 5% of their assets each year to a third party other than the credit institution providing the assets or any other company in its group.

The institutions which have received financial support from the FROB will have a period of three years as from the entry into force of Royal Decree-Law 18/2012, of 11 May, i.e. 12 May 2012, to adopt and execute the necessary measures for the relationship between the asset management vehicle and the institution to be at most that of an associate.

Similarly, the Law establishes the rules necessary to ensure the tax neutrality of transactions performed in setting up the asset management vehicles. With the aim of stimulating the sale of real estate assets, with regard to Corporate Income Tax, Personal Income Tax and the Income Tax of Non-Residents, a partial exemption is introduced for income resulting from the transfer of urban real estate acquired as from the entry into force of Royal Decree-Law 18/2012, of 11 May, i.e. 12 May 2012, up to 31 December 2012, providing certain requirements are met.

Finally, notarial and registry fees are moderated in cases of the transfer of financial or real estate assets as a consequence of the reorganisation and restructuring of financial institutions.

– Act 9/2012, of 14 November, on the restructuring and resolution of credit institutions.

Approval of Royal Decree-Law 24/2012, of 31 August, on the restructuring and resolution of credit institutions, provided adequate compliance with those measures of the Memorandum of Understanding on conditions of financial sector policy whose adoption were planned for August this year and it anticipated compliance with some measures planned for subsequent dates, with the aim of providing the different public institutions with all the instruments necessary to complete the restructuring process of credit institutions.

This Act derives from said Royal Decree-Law, after the Plenary Session of the Congress of Deputies agreed to process it as a Draft Bill. Its approval results in an extraordinary strengthening of the mechanisms available to public authorities to reorganise the Spanish financial system.

The Act distinguishes three crisis situations in which a credit institution may find itself according to the seriousness of the crisis. A procedure to be followed is established for each of these cases, clearly regulating the instruments and measures which may be adopted. A distinction is made between an early intervention procedure, a restructuring procedure and, finally, a resolution procedure.

The early intervention procedure will be applicable to a credit institution which fails to comply with solvency, liquidity, organisational structure or internal control requirements (or when it is reasonably foreseeable that it will not be able to comply with them), but which has the capacity to return to compliance using its own resources or through exceptional financial support by means of convertible instruments.

The Bank of Spain is responsible for deciding which entities must adopt the early intervention measures, for which purpose they must prepare an action plan to redress the weakness in their solvency.

During this stage, the Bank of Spain may require the replacement of the members of the Board of Directors in the event of a significant decline in the institution’s situation.

Secondly, the Act distinguishes between restructuring and resolution procedures, with the latter referring to the processes in which the credit institution is not viable and needs to be wound up in an orderly manner with the best guarantees for the depositors and financial stability.

The FROB is responsible for determining the appropriate instruments in order to perform both processes in an orderly manner and with the lowest possible cost for taxpayers.

The resolution process will be applicable to institutions which are not viable, while the restructuring process will apply to institutions which require public financial support to guarantee their viability, but which have the capacity to return said financial support in the time limits provided for each specific instrument contained in the Act.

In both cases, a plan will be drawn up, either a restructuring or a resolution plan, which must be approved by the Bank of Spain, as well as a specific regulation of the restructuring or resolution instruments which may be applied.

With regard to the resolution instruments, consideration has been given to the proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms launched by the European Commission in June this year, including the sale of the institution's business to a third party, the transfer of assets or liabilities to a bridge bank, or the transfer of assets or liabilities to an asset management vehicle. In the event that the resolution process is opened, the governing body will also be replaced.

Furthermore, the FROB may order the corresponding institution to transfer the problematic assets to an asset management vehicle, which will be established as a public limited company. This transfer will be conducted without the need to obtain the consent of third parties and without having to comply with the procedural requirements relating to structural modifications of commercial companies.

In addition, the Act introduces provisions as regards the management of hybrid capital instruments and subordinated debt which clarifies the question of who must finance the restructuring and resolution measures of a bank, starting from the principle that shareholders and creditors must bear the expenses of the restructuring or resolution before taxpayers.

To this end, it establishes voluntary and mandatory mechanisms for managing hybrid capital instruments, which will affect both preference shares and subordinated debt, with the FROB responsible for applying them.

In addition, the Act establishes the legal regime of the FROB, with one of the most important new aspects being the modification of the composition of the fund's governing body. It has cancelled the participation given by previous legislation to credit institutions in representation of the Deposit Guarantee Fund of Credit Institutions, in response to possible conflicts of interest which may arise, and it has created the position of Director General, who will hold the Fund's executive powers.

Furthermore, the Act provides retail investor protection measures relating to the marketing of hybrid instruments and other complex instruments, which include preference shares. Furthermore, it strengthens the powers of control held by the CNMV relating to the marketing of investment products by institutions, especially with regard to the aforementioned complex products.

Specifically, the 13th additional provision of the Act establishes certain requirements for marketing preference shares, convertible debt instruments and subordinated financing calculated as equity to retail investors. In this regard, the issue must have a tranche aimed exclusively at professional investors of at least

50% of the total, with the total number of said investors being no less than 50, and the minimum nominal unit value of the securities will be 100,000 euros for issues of preference shares or convertible debt instruments of non-listed entities. The minimum nominal unit value for other issues will be 25,000 euros.

Failure to comply with these requirements will constitute a very serious breach in accordance with Title VIII of the Securities Market Act.

The above will not be applicable with regard to the management of hybrid capital instruments and subordinated debt provided in Chapter VII of the Act, or to hybrid capital instruments and subordinated debt issued with the aim of exchanging them for other securities of this type issued prior to 31 August 2012.

In addition, the third final provision of the Act amends certain Articles of the Securities Market Act. In particular:

– Point 3 of Article 27 of the Securities Market Act is modified as regards the content of the summary which the prospectus must contain detailing, without prejudice to what is established in the regulations, what is understood as "key information". It also establishes certain situations in which it is not necessary to draw up the summary.

– The thresholds of Article 30 bis for considering an issue as a public offering are revised. It also modifies the thresholds which require issuers of securities that are listed on an official secondary market or another regulated market to provide periodic reporting.

– A new wording is given to the third paragraph of point 3 of Article 79 bis of the Securities Market Act in the regard that the CNMV may require that "the information given to investors prior to the acquisition of a product includes the warnings considered necessary relating to the financial instrument and, in particular, those which highlight that it is a product which is not suitable for non-professional investors due to its complexity. It may also require that these warnings be included in advertising material".

– It modifies points 6 and 7 of Article 79 bis of the Securities Market Act so as to, *inter alia*, establish that "when the investment service is provided in relation to a complex instrument [...], the contractual document must include, together with the customer's signature, a written declaration, in the terms set by the CNMV, whereby the investor declares that he/she has been warned that the product is not appropriate to him/her or that it has not been possible to assess the customer in the terms of this article. In the terms set by the CNMV, the institutions which provide investment services must at all times maintain an up-to-date register of customers and non-suitable products which reflects, for each customer, the products assessed as not appropriate."

– It establishes a register of bank asset funds which will include the events and acts subject to registration with the CNMV in accordance with applicable legislation.

- It adds a new final provision to the Securities Market Act, which designates the CNMV as the competent authority in Spain for the purposes of Regulation (EU) No. 236/2012, of the European Parliament and of the Council, of 14 March 2012, on short selling and certain aspects of credit default swaps and for the purposes of Articles 10.5 and 22 of 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.

Finally, the Act modifies the core capital requirements which must be met by the consolidable groups of credit institutions, as well as entities not integrated in a consolidable group established by Royal Decree-Law 02/2011, of 18 February, for strengthening the financial system. Specifically, the current requirements of 8% in general, and 10% for institutions with difficult access to capital markets and for which wholesale financing predominates, will be transformed into one single requirement of 9% which must be met as from 1 January 2013. Similarly, it modifies the definition of core capital, bringing it closer, both in the elements used to calculate it and in the deductions, to that used by the European Banking Authority.

- Order ECC/2502/2012, of 16 November, which regulates the procedure for filing claims with the claims services of the Bank of Spain, the CNMV and the Directorate-General of Insurance and Pension Funds.

This order, which will enter into force at six months from its publication in the Official State Gazette, aims to implement the procedure for processing complaints, claims and enquiries filed with the claims services of the Bank of Spain, the CNMV and the Directorate-General of Insurance and Pension Funds in compliance with the mandate provided in Article 30.3 of Act 44/2002, of 22 November, on Reform Measures of the Financial System.

The following are entitled to present complaints, claims and enquiries:

- All natural and legal persons, both Spanish and foreign, which are duly identified in their capacity as users of financial services provided by any of the entities supervised by the CNMV, the Bank of Spain or the Directorate-General of Insurance and Pension Funds.

- The persons or entities which act in defence of the particular interests of their customers, participants or investors, insurance policyholders, insured parties, beneficiaries, injured third parties or right holders of any of them, as well as the participants and beneficiaries of pension plans.

- The associations and organisations representing legitimate collective interests of users of financial services, providing said interests are affected and said associations and organisations are legally empowered for their defence and protection and meet the requirements established in Royal Legislative Decree 1/2007, of 16 November, which approves the consolidated text of the General Act for the Protection of Consumers and Users and other supplementary legislation or, as the case may be, regional consumer legislation.

Complaints, claims and enquiries may be filed on paper or electronically through the electronic registers established for this purpose in the Bank of Spain, the CNMV and the Directorate-General of Insurance and Pension Funds, in the terms provided in applicable legislation.

For claims or complaints to be accepted and processed by the corresponding claims service, it will be necessary to demonstrate that they have been previously filed with the customer service department or, as the case may be, with the customer or participant ombudsman of the entity against which the claim is made.

If admission of the complaint or claim is refused, totally or partially rejected or a period of two months has passed since it was filed without it being resolved, the interested party may file the claim or complaint without distinction in any of the claims services, irrespective of its content.

In the event that the claims service which receives the claim or complaint does not have authority to process it, it will immediately pass it on to the competent claims service.

When a complaint, claim or enquiry, because of its content, corresponds to the authority of two or more claims services, the file will be processed by the corresponding claims service depending on the legal nature of the entity against which the claim is made. In these cases, the claims service responsible for processing the file will request a report from the other claims services on the issues which correspond to its area of responsibility, integrating said reports into the final report which it publishes. Similarly, the claims services may reach agreements with each other so as to harmonise and enhance assistance in exercising their functions.

It may be decided to accumulate files to be processed jointly in the following cases:

– In the case of claims or complaints filed by different persons relating to the same financial institution which are materially identical or bear a close connection with regard to the facts or problems declared.

– In the case of claims or complaints filed by one person relating to issues which are materially identical or bear a close connection and which do not consist of a simple reiteration.

The Order provides the possibility of filing collective claims and complaints in the event that several claimants are affected by conduct by the same entity which has a content or basis which is fundamentally identical or materially similar. Collective claims or complaints will be filed through one single representative.

The claims procedure will conclude with a report within a time limit of four months from the date the claim is filed in the competent claims service. If this is not possible, the reasons for the delay must be expressly stated in the final report.

The report will aim to establish, and must contain clear conclusions, whether the actions performed constitute a breach of the rules on transparency and protection and whether or not the entity has complied with good practices and financial uses. At any event, the final report must decide on all the issues put forward in the claims.

The time limit for responding to enquiries will be one month following the date the enquiry is filed with the competent claims service. Failure to reply in said period will not imply acceptance of the criteria expressed by the users of financial services in the enquiry.

The reply to the enquiry will be informative, and will not be binding with regard to the persons, activities or situations referred to in the enquiry.

V Statistics annex

1 Markets

1.1 Equity

Share issues and public offerings[1]

TABLE 1.1

	2009	2010	2011	2011 IV	2012 I	II	III	IV[2]
CASH VALUE[3] (million euro)								
Total	11,390.7	16,012.7	17,317.5	2,946.5	3,366.7	5,338.4	5,415.3	6,213.1
Capital increases	11,388.7	15,407.0	17,221.5	2,850.5	3,366.7	5,287.8	5,010.5	5,437.1
Of which, primary offerings	17.3	958.7	6,441.3	2,736.6	873.1	1,509.2	75.0	0.0
With Spanish tranche	14.9	61.6	6,031.7	2,684.6	873.1	1,509.2	75.0	0.0
With international tranche	2.5	897.2	409.6	52.0	0.0	0.0	0.0	0.0
Secondary offerings	1.9	605.7	96.0	96.0	0.0	50.6	404.8	776.0
With Spanish tranche	1.9	79.1	94.8	94.8	0.0	50.6	404.8	776.0
With international tranche	0.0	526.7	1.2	1.2	0.0	0.0	0.0	0.0
NOMINAL VALUE (million euro)								
Total	1,892.1	6,313.4	5,727.1	453.9	976.5	1,552.4	1,008.8	1,053.5
Capital increases	1,892.0	6,304.4	5,721.1	447.9	976.5	1,549.7	977.3	977.1
Of which, primary offerings	0.1	1.9	2,092.9	221.0	522.9	82.0	8.2	0.0
With Spanish tranche	0.1	1.8	1,910.6	216.7	522.9	82.0	8.2	0.0
With international tranche	0.0	0.1	182.3	4.4	0.0	0.0	0.0	0.0
Secondary offerings	0.0	9.0	6.0	6.0	0.0	2.8	31.5	76.4
With Spanish tranche	0.0	8.9	5.9	5.9	0.0	2.8	31.5	76.4
With international tranche	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
NO. OF FILES[4]								
Total	53	69	92	26	24	26	27	18
Capital increases	53	67	91	26	24	25	26	17
Of which, primary offerings	2	12	8	2	5	1	1	0
Of which, bonus issues	11	15	22	7	2	6	9	6
Secondary offerings	1	3	2	1	0	1	1	1
NO. OF ISSUERS[4]								
Total	34	46	46	15	14	15	19	13
Capital increases	34	45	45	15	14	15	19	12
Of which, primary offerings	2	12	8	2	5	1	1	0
Secondary offerings	1	2	2	1	0	1	1	1

1 Includes registered offerings with issuance prospectuses and listings admitted to trading without register issuance prospectuses.
2 Available data: November 2012.
3 Does not include registered amounts that were not carried out.
4 Includes all registered offerings, including the issues that were not carried out.

Primary and secondary offerings. By type of subscriber

TABLE 1.2

Million euro	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
PRIMARY OFFERINGS								
Total	17.3	958.7	6,441.3	2,736.6	873.1	1,509.2	75.0	0.0
Spanish tranche	14.9	61.6	3,335.8	0.0	6.8	0.0	0.0	0.0
Private subscribers	0.0	2.5	2,017.7	0.0	4.1	0.0	0.0	0.0
Institutional subscribers	14.9	59.0	1,318.1	0.0	2.8	0.0	0.0	0.0
International tranche	2.5	897.2	409.5	52.0	0.0	0.0	0.0	0.0
Employees	0.0	0.0	11.4	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	2,684.6	2,684.6	866.3	1,509.2	75.0	0.0
SECONDARY OFFERINGS								
Total	1.9	605.7	96.0	96.0	0.0	50.6	404.8	776.0
Spanish tranche	1.5	79.1	0.0	0.0	0.0	0.0	0.0	0.0
Private subscribers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Institutional subscribers	1.5	79.1	0.0	0.0	0.0	0.0	0.0	0.0
International tranche	0.0	526.7	1.2	1.2	0.0	0.0	0.0	0.0
Employees	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	94.8	94.8	0.0	50.6	404.8	776.0

1 Available data: November 2012.

Companies listed[1]

TABLE 1.3

	2009	2010	2011	2011	2012			
				IV	I	II	III	IV[2]
Total electronic market[3]	133	129	130	130	128	128	127	127
Of which, without Nuevo Mercado	133	129	130	130	128	128	127	127
Of which, Nuevo Mercado	0	0	0	0	0	0	0	0
Of which, foreign companies	5	6	7	7	7	7	7	7
Second Market	7	6	7	7	7	7	7	8
Madrid	2	2	2	2	2	2	2	2
Barcelona	5	4	5	5	5	5	5	6
Bilbao	0	0	0	0	0	0	0	0
Valencia	0	0	0	0	0	0	0	0
Open outcry ex SICAVs	29	28	27	27	24	24	24	23
Madrid	13	13	13	13	11	11	11	11
Barcelona	19	18	17	17	14	14	14	13
Bilbao	8	8	8	8	7	7	7	7
Valencia	6	6	6	6	4	4	4	4
Open outcry SICAVs	1	1	0	0	0	0	0	0
MAB[4]	3,251	3,144	3,083	3,083	3,064	3,059	3,034	3,025
Latibex	32	29	29	29	27	27	27	27

1 Data at the end of period.
2 Available data: November 2012.
3 Without ETFs (Exchange Traded Funds).
4 Alternative Stock Market.

Capitalisation[1]

TABLE 1.4

Million euro	2009	2010	2011	2011	2012			
				IV	I	II	III	IV[2]
Total electronic market[3]	531,194.2	565,585.2	498,148.1	498,148.1	487,334.8	443,405.2	490,027.9	507,887.4
Of which, without Nuevo Mercado	531,194.2	565,585.2	498,148.1	498,148.1	487,334.8	443,405.2	490,027.9	507,887.4
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies[4]	61,317.5	100,249.8	82,471.4	82,471.4	90,381.7	85,013.5	89,988.0	94,072.9
Ibex 35	322,806.6	348,998.9	320,672.5	320,672.5	306,878.6	272,514.9	302,019.9	315,347.6
Second Market	109.9	74.6	59.7	59.7	56.8	57.8	46.3	43
Madrid	22.8	24.7	25.5	25.5	22.6	23.6	23.6	20.3
Barcelona	87.1	49.9	34.2	34.2	34.2	34.2	22.7	22.7
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	5,340.7	4,128.2	3,704.9	3,704.9	3,482.1	3,364.7	3,257.6	3,270.4
Madrid	1,454.7	878.8	833.3	833.3	729.9	682.9	673.4	677.6
Barcelona	3,580.2	3,432.2	3,242.3	3,242.3	3,120.6	3,053.6	2,953.6	2,968.8
Bilbao	45.9	362.1	328.8	328.8	323.7	78.9	78.9	77.8
Valencia	760.4	458.7	240.2	240.2	423.5	379.6	369.4	368.1
Open outcry SICAVs[5]	126.8	32.6	0.0	0.0	0.0	0.0	0.0	0.0
MAB[5,6]	24,718.6	26,340.8	23,646.0	23,646.0	2,.524.4	23,315.7	24,188.7	24,244.6
Latibex	210,773.5	435,337.8	402,008.5	402,008.5	414,431.2	358,599.2	369,568.3	334,112.9

1 Data at the end of period.
2 Available data: November 2012.
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 1.5

				2011	2012			
Million euro	2009	2010	2011	IV	I	II	III	IV[1]
Total electronic market[2]	877,073.5	1,026,478.5	917,383.3	203,895.2	175,186.1	196,896.4	151,267.7	111,718.3
Of which, without Nuevo Mercado	877,073.5	1,026,478.5	917,383.3	203,895.2	175,186.1	196,896.4	151,267.7	111,718.3
Of which, Nuevo Mercado	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which, foreign companies	4,750.4	6,415.3	5,206.3	1,515.3	1,505.8	963.9	851.6	569.9
Second Market	3.2	3.0	2.3	0.9	0.1	0.2	0.2	0.0
Madrid	2	2.8	1.7	0.8	0.1	0.2	0.2	0.0
Barcelona	1.2	0.3	0.5	0.0	0.0	0.0	0.0	0.0
Bilbao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valencia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Open outcry ex SICAVs	52.8	157.2	42.8	7.4	16.5	7.3	8.3	5.9
Madrid	16.5	15.7	16.1	2.1	1.6	0.4	0.8	0.1
Barcelona	29.4	135.7	26.4	5.2	14.4	6.9	7.4	5.8
Bilbao	1.1	3.9	0.1	0.0	0.0	0.0	0.0	0.0
Valencia	5.9	1.9	0.3	0.1	0.6	0.1	0.0	0.0
Open outcry SICAVs	19.7	8.1	5.6	0.0	0.0	0.0	0.0	0.0
MAB[3]	5,080.1	4,147.9	4,379.9	1,278.1	1,218.1	1,104.5	947	573.5
Latibex	434.7	521.2	357.7	72.9	73.3	61.7	89.5	61.9

1 Available data: November 2012.
2 Without ETFs (Exchange Traded Funds).
3 Alternative Stock Market.

Trading on the electronic market by type of transaction[1]

TABLE 1.6

				2011	2012			
Million euro	2009	2010	2011	IV	I	II	III	IV[2]
Regular trading	833,854.9	983,584.5	873,485.4	195,729.5	168,765.0	187,871.7	143,171.9	106,436.8
Orders	499,182.8	541,879.8	505,870.1	98,213.1	103,947.2	81,004.3	61,468.6	32,992.7
Put-throughs	51,335.8	58,678.1	69,410.4	15,534.7	12,028.9	30,160.1	21,441.3	12,433.3
Block trades	283,336.3	383,026.6	298,204.9	81,981.7	52,788.9	76,707.3	60,262.0	61,010.9
Off-hours	5,996.6	17,209.5	9,801.8	1,751.5	816.2	2,006.8	3,506.5	2,525.8
Authorised trades	4,695.6	2,660.5	3,492.6	760.5	1,026.7	2,301.0	2,202.6	2,065.9
Art. 36.1 SML trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tender offers	7,188.9	312.0	4,216.8	0.0	0.0	9.6	0.0	0.0
Public offerings for sale	1,325	1,448.2	3,922.1	0.0	0.0	0.0	0.0	0.0
Declared trades	5,202.6	2,273.4	2,212.7	10.7	0.0	539.7	2.4	0.1
Options	11,443.2	11,474.7	11,730.3	3,965.4	2,301.1	2,991.2	1,472.1	274.7
Hedge transactions	7,366.7	7,515.8	8,521.5	1,677.7	2,277.0	1,176.4	912.3	415.1

1 Without ETFs (Exchange Traded Funds).
2 Available data: November 2012.

Margin trading for sales and securities lending

TABLE 1.7

				2011	2012			
Million euro	2009	2010	2011	IV	I	II	III	IV[1]
TRADING								
Securities lending[2]	471,007.1	556,246.7	493,602.4	120,570.9	98,303.7	11,5376.8	79,731.5	68,554.9
Margin trading for sales of securities[3]	704.3	598	518.3	83.1	76.1	100.3	16.8	5.2
Margin trading for securities purchases[3]	106.4	65.9	73.0	24.7	16.0	7.0	11.1	7.3
OUTSTANDING BALANCE								
Securities lending[2]	47,322.2	36,195.9	35,626.7	35,626.7	29,608.2	33,174.2	39,075.3	37,267.6
Margin trading for sales of securities[3]	21.1	9.9	7.0	7.0	6.7	13.2	1.6	1.6
Margin trading for securities purchases[3]	5.6	5.0	3.9	3.9	3.9	2.2	2.5	2.2

1 Available data: November 2012.
2 Regulated by Article 36.7 of the Securities Market Law and Order ECO/764/2004.
3 Transactions performed in accordance with Ministerial Order dated 25 March 1991 on the margin system in spot transactions.

1.2 Fixed-income

Gross issues registered[1] at the CNMV

TABLE 1.8

				2011	2012			
	2009	2010	2011	IV	I	II	III	IV[2]
NO. OF ISSUERS								
Total	168	115	101	44	37	29	19	22
Mortgage covered bonds	27	25	30	16	12	11	15	6
Territorial covered bonds	1	6	7	5	6	7	2	0
Non-convertible bonds and debentures	50	39	23	9	15	12	6	6
Convertible bonds and debentures	3	2	5	2	1	2	0	0
Backed securities	68	36	34	14	5	2	1	7
Commercial paper	69	58	49	16	17	12	5	6
Of which, asset-backed	2	2	2	1	0	0	0	0
Of which, non-asset-backed	67	56	47	15	17	12	5	6
Other fixed-income issues	0	0	0	0	0	0	0	0
Preference shares	23	0	1	0	0	0	0	0
NO. OF ISSUES								
Total	512	349	356	128	117	100	48	40
Mortgage covered bonds	75	88	115	44	27	22	27	12
Territorial covered bonds	1	9	42	16	8	8	2	0
Non-convertible bonds and debentures	244	154	87	27	48	50	13	11
Convertible bonds and debentures	6	3	9	2	1	4	0	0
Backed securities	76	36	48	20	15	2	1	11
Commercial paper	73	59	53	19	18	14	5	6
Of which, asset-backed	2	2	2	1	0	0	0	0
Of which, non-asset-backed	71	57	51	18	18	14	5	6
Other fixed-income issues	0	0	0	0	0	0	0	0
Preference shares	37	0	2	0	0	0	0	0
NOMINAL AMOUNT (million euro)								
Total	387,475.8	226,448.9	288,992.0	113,496.1	120,739.7	91,425.1	60,679.5	33,082.8
Mortgage covered bonds	35,573.9	34,378.5	67,226.5	23,742.5	26,000.0	33,350.0	29,800.0	8,170.0
Territorial covered bonds	500.0	5,900.0	22,334.2	10,162.0	3,200.0	4,100.0	1,674.0	0.0
Non-convertible bonds and debentures	62,249.0	24,356.0	20,191.7	13,312.4	31,304.9	15,230.7	91.1	3,066.4
Convertible bonds and debentures	3,200.0	968.0	7,125.9	4,944.3	1,128.2	1,592.3	0.0	0.0
Backed securities	81,651.2	63,260.5	68,412.8	20,210.1	9,195.3	1,535.3	1,884.0	8,266.5
Spanish tranche	77,289.4	62,743.0	62,796.1	18,844.3	7,810.3	1,535.3	1,884.0	7,388.5
International tranche	4,361.9	517.5	5,616.7	1,365.8	1,385.0	0.0	0.0	878.0
Commercial paper[3]	191,341.7	97,586.0	103,501.0	41,124.9	49,911.3	35,616.8	27,230.5	13,579.8
Of which, asset-backed	4,758.4	5,057.0	2,366.0	648.0	616.0	630.0	275.0	0.0
Of which, non-asset-backed	186,583.3	92,529.0	101,135.0	40,476.9	49,295.3	34,986.8	26,955.5	13,579.8
Other fixed-income issues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preference shares	12,960.0	0.0	200.0	0.0	0.0	0.0	0.0	0.0
Pro memoria:								
Subordinated issues	20,988.5	9,154.2	29,277.3	16,207.6	2,772.2	1,788.3	580.9	1,579.5
Underwritten issues	4,793.8	299.0	10.0	0.0	0.0	0.0	0.0	0.0

1 Includes issuance and trading prospectuses.
2 Available data: November 2012.
3 The figures for commercial paper refer to the amount placed in the year.

Issues admitted to trading on AIAF

TABLE 1.9

				2011	2012			
Nominal amount in million euro	2009	2010	2011	IV	I	II	III	IV[1]
Total	388,455.0	223,404.5	278,594.2	103,013.8	127,394.8	85,145.2	69,879.2	27,657.9
Commercial paper	191,427.7	99,784.4	102,042.0	40,023.5	51,871.2	32,233.4	31,278.3	13,397.6
Bonds and debentures	61,862.5	24,728.6	12,313.7	5,934.3	36,439.3	15,868.4	692.9	3,028.9
Mortgage covered bonds	35,568.9	32,861.0	68,346.5	23,242.5	27,500.0	28,800.0	34,350.0	8,370.0
Territorial covered bonds	500.0	5,900.0	20,334.2	11,556.0	2,500.0	4,800.0	1,674.0	0.0
Backed securities	85,542.9	60,030.5	75,357.8	22,257.5	9,084.3	3,443.3	1,884.0	2,861.5
Preference shares	13,552.9	100.0	200.0	0.0	0.0	0.0	0.0	0.0
Matador bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: November 2012.

AIAF. Issuers, issues and outstanding balance

TABLE 1.10

	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
NO. OF ISSUERS								
Total	614	634	613	613	611	596	572	569
Commercial paper	67	60	45	45	51	49	46	45
Bonds and debentures	91	93	91	91	95	96	94	94
Mortgage covered bonds	29	33	43	43	47	46	50	50
Territorial covered bonds	11	12	13	13	16	18	19	18
Backed securities	442	459	437	437	427	415	391	386
Preference shares	60	59	60	60	60	60	60	60
Matador bonds	12	12	12	12	12	12	12	12
NO. OF ISSUES								
Total	4,084	3,630	4,382	4,382	5,116	5,285	5,208	5,020
Commercial paper	1,507	958	1,778	1,778	2,547	2,757	2,762	2,599
Bonds and debentures	611	645	624	624	628	600	583	577
Mortgage covered bonds	202	253	296	296	301	316	334	340
Territorial covered bonds	25	26	49	49	52	58	55	53
Backed securities	1629	1641	1527	1,527	1,480	1,446	1,366	1,343
Preference shares	96	93	94	94	94	94	94	94
Matador bonds	14	14	14	14	14	14	14	14
OUTSTANDING BALANCE[2] (million euro)								
Total	870,981.1	850,181.7	882,395.1	882,395.1	906,229.5	899,458.8	886,354.6	869,296.1
Commercial paper	41,647.0	23,233.6	37,549.1	37,549.1	62,370.8	66,983.5	75,777.8	69,617.8
Bonds and debentures	150,886.3	146,077.7	131,756.8	131,756.8	144,455.8	132,981.0	125,944.4	125,584.5
Mortgage covered bonds	185,343.8	195,734.8	241,149.7	241,149.7	257,034.8	283,064.8	309,736.1	309,606.1
Territorial covered bonds	16,030.0	18,350.0	31,884.2	31,884.2	31,834.2	35,284.2	33,579.6	33,397.3
Backed securities	442,831.5	434,835.1	407,908.0	407,908.0	391,012.1	364,253.6	327,492.8	317,299.7
Preference shares	33,183.8	30,891.8	31,088.6	31,088.6	18,463.1	15,833.0	12,765.1	12,755.7
Matador bonds	1,058.8	1,058.8	1,058.8	1,058.8	1,058.8	1,058.8	1,058.8	1,035.0

1 Available data: November 2012.
2 Nominal amount.

AIAF. Contratación

TABLE 1.11

Nominal amount in million euro	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
BY TYPE OF ASSET								
Total	4,658,633.2	4,383,118.7	7,388,185.7	1,566,191.9	928,497.2	555,233.8	674,389.1	694,237.1
Commercial paper	533,331.0	385,238.9	227,534.5	52,885.6	57,736.6	42,897.4	55,717.4	28,200.8
Bonds and debentures	321,743.0	922,393.1	484,705.8	57,611.6	41,431.0	40,927.5	44,398.4	26,894.8
Mortgage covered bonds	263,150.0	271,441.8	662,177.0	271,366.9	247,459.2	168,803.9	302,081.0	174,196.9
Territorial covered bonds	7,209.0	14,458.2	544,780.9	400,645.2	179,057.4	180,778.2	108,473.6	108,196.0
Backed securities	3,527,486.4	2,784,775.4	5,462,806.2	783,200.2	394,669.6	114,957.9	156,980.5	354,110.1
Preference shares	5,668.5	4,635.7	6,065.0	463.6	8,132.1	6,593.8	6,616.4	2,610.7
Matador bonds	45.2	175.7	116.3	18.9	11.2	275.1	121.8	27.8
BY TYPE OF TRANSACTION								
Total	4,658,633.2	4,383,118.7	7,388,185.7	1,566,191.9	928,497.2	555,233.8	674,389.1	694,237.1
Outright	378,348.4	288,927.3	343,099.6	103,693.8	151,533.7	121,364.6	78,110.9	42,364.3
Repos	362,068.7	304,493.2	198,514.7	43,282.7	41,562.1	29,885.1	18,513.0	12,731.5
Sell-buybacks/Buy-sellbacks	3,918,216.1	3,789,698.3	6,846,571.5	1,419,215.4	735,401.4	403,984.2	577,765.2	639,141.2

1 Available data: November 2012.

AIAF. Third-party trading. By purchaser sector

TABLE 1.12

Nominal amount in million euro	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
Total	681,946.6	553,896.6	487,543.3	130,860.7	157,876.8	129,837.4	84,419.9	48,730.4
Non-financial companies	256,224.6	162,949.5	131,765.2	28,031.9	21,411.0	17,333.2	19,618.1	11,358.8
Financial institutions	298,909.1	289,950.4	256,975.8	81,015.3	103,512.7	90,698.5	46,946.5	23,570.6
Credit institutions	125,547.5	102,372.1	139,538.2	51,571.4	69,411.4	68,400.6	38,309.4	16,014.4
IICs[2], insurance and pension funds	115,865.3	125,899.4	103,899.9	27,756.3	32,613.5	21,122.2	7,132.0	6,385.1
Other financial institutions	57,496.3	61,678.9	13,537.7	1,687.6	1,487.8	1,175.8	1,505.2	1,171.1
General government	5,808.5	3,117.7	2,602.7	577.9	3,372.9	747.2	1,005.9	233.1
Households and NPISHs[3]	14,647.8	14,244.4	10,230.3	3,699.4	2,793.4	2,373.7	3,137.1	2,279.8
Rest of the world	106,356.6	83,634.6	85,969.3	17,536.3	26,786.8	18,684.8	13,712.3	11,288.1

1 Available data: November 2012.
2 IICs: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.
3 Non-profit institutions serving households.

Issues admitted to trading on equity markets[1]

TABLE 1.13

	2009	2010	2011	2011 IV	2012 I	II	III	IV[2]
NOMINAL AMOUNTS (million euro)								
Total	5,866.8	868.0	2,681.6	0.0	4,875.9	1,765.9	880.2	0.0
Non-convertible bonds and debentures	0.0	400.0	0.0	0.0	0.0	0.0	0.0	0.0
Convertible bonds and debentures	4,510.8	468.0	2,681.6	0.0	4,875.9	1,765.9	880.2	0.0
Backed securities	1,356.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NO. OF ISSUES								
Total	10	8	6	0	2	2	3	0
Non-convertible bonds and debentures	0	7	0	0	0	0	0	0
Convertible bonds and debentures	4	1	6	0	2	2	3	0
Backed securities	6	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0

1 Private issuers. Includes issuance and trading prospectuses.
2 Available data: November 2012.

Equity markets. Issuers, issues and outstanding balances

TABLE 1.14

	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
NO. OF ISSUERS								
Total	62	60	59	59	57	56	55	54
Private issuers	48	46	46	46	44	43	42	41
Non-financial companies	6	5	4	4	4	4	4	4
Financial institutions	42	41	42	42	40	39	38	37
General government[2]	14	14	13	13	13	13	13	13
Regional governments	3	3	3	3	3	3	3	3
NO. OF ISSUES								
Total	269	247	240	240	231	224	224	222
Private issuers	155	145	133	133	126	124	125	123
Non-financial companies	10	7	6	6	6	5	5	4
Financial institutions	145	138	127	127	120	119	120	119
General government2	114	102	107	107	105	100	99	99
Regional governments	76	64	74	74	73	69	68	68
OUTSTANDING BALANCES[3] (million euro)								
Total	36,299.5	41,091.3	43,817.5	43,817.5	47,939.8	45,444.9	43,726.1	41,230.2
Private issuers	21,600.9	19,261.5	17,759.6	17,759.6	21,694.6	19,645.5	16,429.5	13,684.1
Non-financial companies	1,783.7	376.6	375.4	375.4	375.4	195.1	195.1	195.0
Financial institutions	19,817.2	18,884.8	17,384.2	17,384.2	21,319.2	19,450.4	16,234.4	13,489.1
General government[2]	14,698.6	21,829.9	26,057.8	26,057.8	26,245.2	25,799.4	27,296.6	27,546.1
Regional governments	12,338.3	19,442.4	24,014.4	24,014.4	24,276.9	23,932.2	25,429.9	25,679.4

1 Available data: November 2012.
2 Without public book-entry debt.
3 Nominal amount.

Trading on equity markets

TABLE 1.15

Nominal amounts in million euro	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
Electronic market	633.0	504.5	385.4	108.9	131.6	784.5	137.5	48.6
Open outcry	4,008.4	7,525.6	4,942.5	1,537.2	2,101.8	392.6	904.7	341.3
Madrid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barcelona	3,821.1	7,146.7	4,885.4	1,529.1	1,813.8	389.9	863.1	337.9
Bilbao	4.6	2.3	0.5	0.1	0.1	0.0	0.0	0.0
Valencia	182.7	376.6	56.6	8.0	287.8	2.7	41.6	3.4
Public book-entry debt	49.1	331.1	883.4	219.4	396.6	321.4	464.4	4.8
Regional governments debt	70,065.8	62,029.0	63,443.7	20,157.2	13,144.2	14,588.0	13,761.1	9,665.3

1 Available data: November 2012.

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

TABLE 1.16

Nominal amounts in million euro	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
Total	202,120.5	265,966.0	84,090.9	11,139.9	18,979.0	9,235.0	4,979.0	5,474.0
Outright	114,314.0	110,011.0	81,905.0	11,091.0	18,979.0	9,235.0	4,979.0	5,474.0
Sell-buybacks/Buy-sellbacks	86,806.5	155,433.0	2,185.9	48.9	0.0	0.0	0.0	0.0
Others	1,000.0	522.0	0.0	0.0	0.0	0.0	0.0	0.0

1 Available data: November 2012.

1.3 Derivatives and other products

1.3.1 Financial derivatives markets: MEFF

Trading on MEFF

TABLE 1.17

Number of contracts	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
Debt products	18	14	18	4	2	10,796	18,659	14,441
Debt futures[2]	18	14	18	4	2	10,796	18,659	14,441
Ibex 35 products[3,4]	6,187,544	69,46,167	5,822,418	1,067,066	1,120,323	1,884,591	1,370,029	712,652
Ibex 35 plus futures	5,436,989	6,280,999	5,291,956	951,801	1,022,021	1,683,154	1,183,751	600,278
Ibex 35 mini futures	314,829	357,926	307,411	54,025	49,547	95,423	62,721	26,535
Ibex 35 dividend impact futures	–	–	3,154	100	555	216	210	15
Call mini options	230,349	122,158	86,096	23,167	18,669	55,375	64,746	48,354
Put mini options	205,377	185,083	133,801	37,973	29,532	50,423	58,601	37,470
Stock products[5]	80,114,693	57,291,482	55,082,944	14,999,005	16,534,500	14,627,113	12,394,790	6,108,029
Futures	44,586,779	19,684,108	24,758,956	5,905,419	7,087,730	6,357,895	3,397,488	2,454,193
Stock dividend futures	–	–	0	–	1,500	0	0	21,000
Call options	18,864,840	17,186,515	12,050,946	3,305,166	4,333,910	2,977,728	4,272,914	1,824,498
Put options	16,663,074	20,420,859	18,273,042	5,788,420	5,111,360	5,291,490	4,724,388	1,808,338
Pro-memoria: MEFF trading on Eurex								
Debt products[6]	558,848	373,113	267,713	45,895	39,172	51,603	28,209	29,655
Index products[7]	835,159	604,029	451,016	110,587	78,776	71,498	61,078	39,393

1 Available data: November 2012.
2 Contract size: 100 thousand euros.
3 The number of Ibex 35 mini futures (multiples of 1 euro) was standardised to the size of the Ibex 35 plus futures (multiples of 10 euro).
4 Contract size: Ibex 35, 10 euros.
5 Contract size: 100 Stocks.
6 Bund, Bobl and Schatz futures.
7 Dax 30, DJ EuroStoxx 50 and DJ Stoxx 50 futures.

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

Issues registered at the CNMV

TABLE 1.18

	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
WARRANTS[2]								
Premium amount (million euro)	5,165.1	4,915.3	5,544.6	1,986.8	922.4	1,202.9	751.3	871.7
On stocks	2,607.1	2,537.4	3,211.7	1,278.1	509.7	685.2	468.2	533.6
On indexes	2,000.1	1,852.6	1,786.8	600.1	310.3	435.7	229.7	260.9
Other underlyings[3]	558.0	525.4	546.0	108.6	102.4	82.0	53.3	77.2
Number of issues	7,342	8,375	9,237	3,144	1,733	1,798	1,319	1,932
Number of issuers	9	9	9	7	6	4	5	6
OPTION BUYING AND SELLING CONTRACTS								
Nominal amounts (million euro)	35.0	64.0	0.0	0.0	0.0	0.0	0.0	0.0
On stocks	25.0	47.0	0.0	0.0	0.0	0.0	0.0	0.0
On indexes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other underlyings[3]	10.0	17.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of issues	3	7	0	0	0	0	0	0
Number of issuers	1	1	0	0	0	0	0	0

1 Available data: November 2012.
2 Includes issuance and trading prospectuses.
3 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.

Equity markets. Warrants and ETF trading

TABLE 1.19

	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
WARRANTS								
Trading (million euro)	1,768.4	1,603.2	1,550.2	344.9	243.4	178.6	195.2	100.9
On Spanish stocks	809.9	759.8	654.2	136.8	103.7	78.0	94.9	50.1
On foreign stocks	97.6	60.7	97.8	35.8	34.3	15.5	17.4	12.6
On indexes	761.2	689.5	518.2	136	75.7	73.4	75.1	32.4
Other underlyings[2]	99.7	93.2	280.0	36.4	29.8	11.7	7.9	5.8
Number of issues[3]	8,038	7,750	13,165	3,441	3,176	3,069	2,919	2,347
Number of issuers[3]	10	10	9	9	9	9	9	7
CERTIFICATES								
Trading (million euro)	39.2	22	92.1	22.5	6.5	6.6	2.7	1.0
Number of issues[3]	22	16	32	4	4	4	3	2
Number of issuers[3]	4	2	2	2	2	2	2	1
ETFs								
Trading (million euro)	3,470.6	6,229.7	3,495.4	1,027	1,027	639.1	639.1	896.4
Number of funds	32	65	75	75	75	75	73	73
Assets[4] (million euro)	1,648.4	827.8	327.2	327.2	297.4	262.5	277.3	n.a.

1 Available data: November 2012.
2 Includes the following underlying: baskets of stocks, exchange rates, interest rates and commodities.
3 Issues or issuers which were traded in each period.
4 Assets from national collective investment schemes is only included because assets from foreign ones are not available.
n.a.: No available data.

1.3.3 Non-financial derivatives

Trading on MFAO[1]

TABLE 1.20

Number of contracts	2009	2010	2011	2011 IV	2012 I	II	III	IV[2]
On olive oil								
Extra-virgin olive oil futures[3]	135,705	165,840	63,173	9,701	10,050	10,577	33,350	17,228

1 Olive oil futures market.
2 Available data: November 2012.
3 Nominal amount of the contract: 1,000 kg.

2 Investment services

Investment services. Spanish firms, branches and agents

TABLE 2.1

	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
BROKER-DEALERS								
Spanish firms	50	50	49	49	48	48	47	46
Branches	78	80	78	78	23	25	17	14
Agents	6,102	6,560	6,589	6,589	6,516	6,531	6,305	6,290
BROKERS								
Spanish firms	50	45	45	45	45	45	43	42
Branches	9	13	14	14	12	12	12	11
Agents	638	689	655	655	620	633	622	604
PORTFOLIO MANAGEMENT COMPANIES								
Spanish firms	9	6	6	6	6	6	6	6
Branches	5	5	5	5	5	5	5	5
Agents	5	2	2	2	2	2	2	2
FINANCIAL ADVISORY FIRMS[2]								
Spanish firms	16	58	82	82	91	97	101	102
CREDIT INSTITUTIONS[3]								
Spanish firms	193	186	187	187	190	188	181	182

1 Available data: November 2012.

2 Investment services company created by Law 47/2008, of 19 December, which modifies Law 24/1988, of 28 July, on the Securities Market, and regulated by Circular CR CNMV 10/2008, of 30 December.

3 Source: Banco de España.

Investment services. Foreign firms

TABLE 2.2

	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
Total	2,346	2,671	2,814	2,814	2,861	2,907	2,950	2,924
European Economic Area investment services firms	1,922	2,238	2,377	2,377	2,418	2,459	2,501	2,478
Branches	36	40	36	36	36	35	39	39
Free provision of services	1,886	2,198	2,341	2,341	2,382	2,424	2,462	2,439
Credit institutions[2]	424	433	437	437	443	448	449	446
From EU member states	414	423	429	429	434	438	439	436
Branches	53	55	55	55	55	56	55	53
Free provision of services	360	368	374	374	379	382	384	383
Subsidiaries of free provision of services institutions	1	0	0	0	0	0	0	0
From non-EU states	10	10	8	8	9	10	10	10
Branches	8	8	7	7	7	8	8	8
Free provision of services	2	2	1	1	2	2	2	2

1 Available data: November 2012.

2 Source: Banco de España and CNMV.

Intermediation of spot transactions[1]

TABLE 2.3

	III 2011				III 2012			
Million euro	Spanish organised markets	Other Spanish markets	Foreign markets	Total	Spanish organised markets	Other Spanish markets	Foreign markets	Total
FIXED-INCOME								
Total	906,022	2,621,084	166,579	3,693,685	901,723	1,783,964	120,120	2,805,807
Broker-dealers	117,531	802,068	133,053	1,052,652	79,742	535,898	86,594	702,234
Brokers	788,491	1,819,016	33,526	2,641,033	821,981	1,248,066	33,526	2,103,573
EQUITY								
Total	219,129	789	15,115	235,033	142,117	2,588	13,331	158,036
Broker-dealers	214,663	673	13,892	229,228	139,670	314	12,108	152,092
Brokers	4,466	116	1,223	5,805	2,447	2,274	1,223	5,944

1 Period accumulated data. Quarterly.

Intermediation of derivative transactions[1,2]

TABLE 2.4

	III 2011				III 2012			
Million euro	Spanish organised markets	Foreign organised markets	Non-organised markets	Total	Spanish organised markets	Foreign organised markets	Non-organised markets	Total
Total	750,602	116,613	1,759,085	2,626,300	446,030	86,365	1,176,511	1,708,906
Broker-dealers	748,952	79,523	1,462,528	2,291,003	444,898	38,572	879,954	1,363,424
Brokers	1,650	37,090	296,557	335,297	1,132	47,793	296,557	345,482

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

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

TABLE 2.5

	III 2011			III 2012		
	IIC[2]	Other[3]	Total	IIC[2]	Other[3]	Total
NUMBER OF PORTFOLIOS						
Total	147	13,713	13,860	107	11,047	11,154
Broker-dealers	87	6,721	6,808	65	4,173	4,238
Brokers	55	3,608	3,663	37	3,689	3,726
Portfolio management companies	5	3,384	3,389	5	3,185	3,190
ASSETS UNDER MANAGEMENT (thousand euro)						
Total	1,849,393	7,583,834	9,433,227	1,360,151	7,643,838	9,003,989
Broker-dealers	889,535	3,138,587	4,028,122	923,310	2,642,405	3,565,715
Brokers	862,570	1,471,799	2,334,369	327,528	1,616,868	1,944,396
Portfolio management companies	97,288	2,973,448	3,070,736	109,313	3,384,565	3,493,878

1 Data at the end of period. Quarterly.
2 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes. Includes both resident and non resident IICs management.
3 Includes the rest of clients, both covered and not covered by the Investment Guarantee Fund, an investor compensation scheme regulated by Royal Decree 948/2001.

Financial advice. Number of contracts and assets advised[1]

TABLE 2.6

	III 2011			III 2012		
	Retail clients	Professional clients	Total[2]	Retail clients	Professional clients	Total[2]
NUMBER OF CONTRACTS						
Total	7,482	106	7,588	7,848	131	7,979
Broker-dealers	1,561	2	1,563	1,201	11	1,212
Brokers	4,680	94	4,774	5,015	112	5,127
Portfolio management companies	1,241	10	1,251	1,632	8	1,640
ASSETS ADVISED (thousand euro)						
Total	3,232,667	4,391,507	7,624,174	3,666,662	4,425,906	8,092,568
Broker-dealers	798,760	31,847	830,607	814,465	20,726	835,191
Brokers	1,871,345	1,022,331	2,893,676	2,175,617	1,097,741	3,273,358
Portfolio management companies	562,562	3,337,329	3,899,891	676,580	3,307,439	3,984,019

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

Aggregated income statement. Broker-dealers

TABLE 2.7

Thousand euro[1]	2009	2010	2011	2011 IV	2012 I	II	III	IV[2]
I. Interest income	163,272	102,054	91,542	91,542	7,206	32,651	43,328	46,680
II. Net commission	562,081	533,858	490,517	490,517	119,253	234,842	324,639	349,979
Commission revenues	782,214	798,152	776,641	776,641	181,675	331,330	460,661	502,133
Brokering	548,362	555,207	529,711	529,711	121,864	200,721	276,779	300,937
Placement and underwriting	26,326	8,499	7,446	7,446	2,686	4,089	4,689	5,625
Securities deposit and recording	16,183	22,367	21,060	21,060	4,738	10,091	15,090	16,503
Portfolio management	11,768	13,880	16,186	16,186	3,658	6,881	10,005	11,175
Design and advising	60,477	53,722	60,712	60,712	13,546	26,539	19,856	8,441
Stocks search and placement	10	36	485	485	0	25	31	41
Market credit transactions	14	9	8	8	4	6	6	6
IICs[3] marketing	63,341	65,487	59,588	59,588	12,237	23,113	33,927	37,657
Other	55,733	78,944	81,446	81,446	22,943	59,864	100,278	121,751
Commission expenses	220,133	264,294	286,124	286,124	62,422	96,488	136,022	152,154
III. Financial investment income	45,266	48,588	271,956	271,956	109	92,439	39,959	93,409
IV. Net exchange differences and other operating products and expenses	21,820	26,081	-194,355	-194,355	36,111	-56,355	24,051	-16,882
V. Gross income	792,439	710,580	659,659	659,659	162,679	303,577	431,977	473,186
VI. Operating income	339,705	276,253	207,379	207,379	44,102	92,286	129,448	138,381
VII. Earnings from continuous activities	250,985	196,834	148,553	148,553	40,971	78,460	107,043	110,140
VIII. Net earnings of the period	250,985	196,834	148,553	148,553	40,971	78,460	107,043	110,140

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: October 2012.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Results of proprietary trading. Broker-dealers

TABLE 2.8

Thousand euro[1]	Interest income III 2011	Interest income III 2012	Financial investment income III 2011	Financial investment income III 2012	Exchange differences and other items III 2011	Exchange differences and other items III 2012	Total III 2011	Total III 2012
Total	77,901	43,328	150,060	39,959	-117,682	22,756	110,279	106,043
Money market assets and public debt	1,562	1,889	9,527	13,976	–	–	11,089	15,865
Other fixed-income securities	15,121	13,660	40,733	38,796	–	–	55,854	52,456
Domestic portfolio	13,343	12,244	34,411	29,168	–	–	47,754	41,412
Foreign portfolio	1,779	1,416	6,322	9,628	–	–	8,101	11,044
Equities	50,077	31,005	-371,509	198,145	–	–	-321,432	229,150
Domestic portfolio	33,866	17,033	-21,536	-13,461	–	–	12,330	3,572
Foreign portfolio	16,211	13,972	-349,973	211,605	–	–	-333,762	225,577
Derivatives	–	–	476,224	-209,674	–	–	476,224	-209,674
Repurchase agreements	644	-3,680	–	–	–	–	644	-3,680
Market credit transactions	0	0	–	–	–	–	0	0
Deposits and other transactions with financial Intermediaries	12,275	4,927	–	–	–	–	12,275	4,927
Net exchange differences	–	–	–	–	-117,603	17,439	-117,603	17,439
Other operating products and expenses	–	–	–	–	2,047	6,612	2,047	6,612
Other transactions	-1,779	-4,473	-4,915	-1,284	-2,125	-1,295	-8,819	-7,052

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]	2009	2010	2011	2011 IV	2012 I	II	III	IV[2]
I. Interest income	2,654	1,629	2,480	2,481	348	946	1,401	1,519
II. Net commission	127,457	109,165	97,884	97,886	24,588	46,663	67,075	75,389
Commission revenues	144,351	126,055	112,349	112,351	28,113	53,623	77,220	86,878
Brokering	53,855	38,176	36,354	36,354	9,586	17,993	28,968	32,580
Placement and underwriting	2,950	2,748	2,870	2,870	751	1,620	1,871	1,999
Securities deposit and recording	509	366	440	441	103	311	458	540
Portfolio management	19,584	19,489	12,351	12,352	2,904	5,487	8,356	9,217
Design and advising	2,985	3,618	5,349	5,349	1,249	2,455	3,822	4,200
Stocks search and placement	0	304	61	61	0	0	0	0
Market credit transactions	28	27	42	42	7	14	23	25
IICs[3] marketing	23,969	23,946	21,381	21,381	4,915	9,880	15,124	16,878
Other	40,472	37,381	33,501	33,500	8,598	15,864	18,599	21,440
Commission expenses	16,894	16,890	14,465	14,465	3,525	6,960	10,145	11,489
III. Financial investment income	1,865	456	623	622	122	787	1,093	1,178
IV. Net exchange differences and other operating products and expenses	-1,337	-1,416	-1,539	-1,539	-341	-953	-1,340	-1,488
V. Gross income	130,639	109,834	99,448	99,450	24,717	47,443	68,229	76,598
VI. Operating income	8,706	9,457	7,757	7,758	2,194	2,589	3,398	4,786
VII. Earnings from continuous activities	4,372	6,452	5,488	5,489	1,989	2,357	2,960	4,080
VIII. Net earnings of the period	4,372	6,452	5,488	5,489	1,989	2,357	2,960	4,080

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: October 2012.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Aggregated income statement. Portfolio management companies

TABLE 2.10

Thousand euro[1]	2009	2010	2011	2011 IV	2012 I	II	III	IV[2]
I. Interest income	341	407	682	682	215	390	559	617
II. Net commission	10,734	10,097	7,987	7,988	1,873	3,832	5,921	6,589
Commission revenues	21,750	20,994	18,476	18,477	4,428	8,864	13,408	14,948
Portfolio management	18,463	18,020	16,582	16,582	4,078	8,115	12,168	13,576
Design and advising	2,698	1,160	1,894	1,894	350	749	1,240	1,372
IICs[3] marketing	18	34	0	0	0	0	0	0
Other	571	1,779	0	0	0	0	0	0
Commission expenses	11,016	10,897	10,489	10,489	2,555	5,032	7,487	8,359
III. Financial investment income	92	51	186	186	-19	-51	-41	-36
IV. Net exchange differences and other operating products and expenses	-383	22	-10	-11	-3	48	9	5
V. Gross income	10,784	10,577	8,845	8,845	2,066	4,219	6,448	7,175
VI. Operating income	1,296	1,154	1,525	1,526	263	639	1,071	1,204
VII. Earnings from continuous activities	889	939	1,041	1,042	195	439	728	805
VIII. Net earnings of the period	889	939	1,041	1,042	195	439	728	805

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: October 2012.
3 IIC: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.

Surplus equity over capital adequacy requirements[1]

TABLE 2.11

Thousand euro	Surplus Total amount	%[2]	Number of companies according to its surplus percentage < 50	<100	<150	<200	<300	<400	<500	<750	<1000	>1000
Total	1,089,342	278.23	12	22	8	7	9	15	8	6	2	6
Broker-dealers	1,012,776	296.89	3	5	4	3	6	11	5	3	1	5
Brokers	61,188	186.83	8	15	4	4	2	3	3	3	0	1
Portfolio management companies	15,378	87.13	1	2	0	0	1	1	0	0	1	0

1 Available data: September 2012.
2 Average percentage is weighted by the required equity of each company. It is an indicator of the number of times, in percentage terms, that the surplus contains the required equity in an average company.

Return on equity (ROE) before taxes[1,2]

TABLE 2.12

	Average[3]	Number of companies according to its annualized return Losses	0-5%	6-15%	16-30%	31-45%	46-60%	61-75%	76-100%	>100%
Total	11.78	36	16	17	13	9	0	1	1	3
Broker-dealers	12.36	14	12	9	7	4	0	0	0	1
Brokers	5.54	20	3	5	6	5	0	1	1	2
Portfolio management companies	4.30	2	1	3	0	0	0	0	0	0

1 ROE has been calculated as:

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

Own_Funds= Share capital + Paid-in surplus + Reserves – Own shares + Prior year profits and retained earnings – Interim dividend.
2 Available data: September 2012.
3 Average weighted by equity, %.

Financial advisory firms. Main figures

TABLE 2.13

Thousand euro	2009	2010	2011	2010 II	2011 I	II	2012 I
ASSETS ADVISED[1]							
Total	1,410,985	15,802,743	16,033,109	15,802,743	16,498,814	16,033,109	14,663,856
Retail clients	364,284	1,715,084	2,181,943	1,715,084	1,895,320	2,181,943	2,415,002
Professional	1,046,702	13,995,206	13,831,973	13,995,206	14,501,823	13,831,973	12,205,216
Other	0	92,453	19,193	92,453	101,671	19,193	43,638
COMMISSION INCOME[2]							
Total	3,183	20,745	31,052	20,745	14,116	31,052	13,940
Commission revenues	3,183	20,629	30,844	20,629	14,080	30,844	13,855
Other income	0	116	209	116	36	209	85
EQUITY							
Total	1,500	10,057	12,320	10,057	10,469	12,320	13,098
Share capital	1,043	3,014	3,895	3,014	3,386	3,895	4,328
Reserves and retained earnings	36	242	950	242	2,915	950	5,904
Income for the year[2]	421	6,801	7,474	6,801	4,168	7,474	2,866

1 Data at the end of each period. Half-yearly.
2 Accumulated data from the beginning of the year to the last day of every semester.

3 Collective investment schemes (IICs)[a, b]

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

TABLE 3.1

				2011	2012			
	2009	2010	2011	IV	I	II	III	IV[1]
Total financial IICs	5,892	5,627	5,460	5,460	5,402	5,373	5,293	5,254
Mutual funds	2,593	2,429	2,341	2,341	2,306	2,284	2,224	2,203
Investment companies	3,232	3,133	3,056	3,056	3,033	3,025	3,007	2,988
Funds of hedge funds	38	32	27	27	27	28	26	25
Hedge funds	29	33	36	36	36	36	36	38
Total real estate IICs	16	16	14	14	14	14	14	14
Real estate investment funds	8	8	6	6	6	6	6	6
Real estate investment companies	8	8	8	8	8	8	8	8
Total foreign IICs marketed in Spain	582	660	739	739	765	743	749	759
Foreign funds marketed in Spain	324	379	426	426	443	421	418	427
Foreign companies marketed in Spain	258	281	313	313	322	322	331	332
Management companies	120	123	114	114	112	110	110	107
IIC depositories	124	114	97	97	92	90	87	87

1 Datos disponibles: noviembre de 2012.

Number of IICs investors and shareholders

TABLE 3.2

				2011	2012			
	2009	2010	2011	IV	I	II	III[1]	IV[2]
Total financial IICs	5,895,009	5,578,524	5,249,813	5,249,813	5,173,638	5,046,000	4,939,316	4,902,744
Mutual funds	5,475,403	5,160,889	4,835,193	4,835,193	4,759,241	4,634,762	4,531,945	4,495,969
Investment companies	419,606	417,635	414,620	414,620	414,397	411,238	407,371	406,775
Total real estate IICs	84,511	76,223	30,678	30,678	30,693	28,655	28,522	27,908
Real estate investment funds	83,583	75,280	29,735	29,735	29,754	27,716	27,587	26,970
Real estate investment companies	928	943	943	943	939	939	935	938
Total foreign IICs marketed in Spain[3]	685,094	865,767	761,380	761,380	768,467	788,852	818,115	–
Foreign funds marketed in Spain	139,102	193,233	177,832	177,832	175,621	179,987	185,718	–
Foreign companies marketed in Spain	545,992	666,534	583,548	583,548	592,846	608,865	632,397	–

1 Provisional data for foreign IICs.
2 Available data: October 2012.
3 Exchange traded funds (ETFs) data is not included.

IICs total net assets

TABLE 3.3

				2011	2012			
Million euro	2009	2010	2011	IV	I	II	III[1]	IV[2]
Total financial IICs	196,472.5	170,073.1	155,982.6	155,982.6	156,460.3	148,594.6	149,122.7	148,978.9
Mutual funds[3]	170,547.7	143,918.2	132,368.6	132,368.6	131,994.5	125,120.7	125,108.2	124,926.3
Investment companies	25,924.8	26,155.0	23,614.0	23,614.0	24,465.8	23,473.9	24,014.5	24052.6
Total real estate IICs	6,773.7	6,437.5	4,807.1	4,807.1	4,757.7	4,691.0	4,608.6	4559.2
Real estate investment funds	6,465.1	6,115.6	4,494.6	4,494.6	4,446.9	4,386.0	4,313.9	4274.7
Real estate investment companies	308.6	321.9	312.5	312.5	310.8	305.0	294.7	284.5
Total foreign IICs marketed in Spain[4]	25,207.2	36,692.9	29,969.5	29,969.5	31,835.1	34,537.8	38,355.3	–
Foreign funds marketed in Spain	5,215.1	8,535.9	6,382.9	6,382.9	6,583.3	7,188.4	7,571.4	–
Foreign companies marketed in Spain	19,992.0	28,156.9	23,586.6	23,586.6	25,251.9	27,349.4	30,783.9	–

1 Provisional data for foreign IICs.
2 Available data: October 2012.
3 For Septembe3r 2012, mutual funds investments in financial IICs reached 3.2 billion euro.
4 Exchange traded funds (ETFs) data is not included.

a IICs: Instituciones de Inversión Colectiva / CIS: Collective Investment Schemes.
b In this document, neither hedge funds nor funds of hedge funds are included in the figures referred to mutual funds.

Mutual funds asset allocation[1]

TABLE 3.4

Million euro	2009	2010	2011	2011 III	IV	2012 I	II	III[2]
Asset	170,547.7	143,918.2	132,368.6	134,033.7	132,368.6	131,994.5	125,120.7	125,108.2
Portfolio investment	163,165.5	137,295.4	126,370.0	127,577.1	126,370.0	125,415.1	119,257.1	119,558.0
Domestic securities	100,642.6	89,630.2	90,394.3	90,914.4	90,394.3	88,309.9	83,542.9	83,429.1
Debt securities	74,628.9	68,575.1	72,076.1	72,151.4	72,076.1	71,341.6	67,492.5	67,268.0
Shares	4,741.0	3,829.2	3,087.0	3,179.1	3,087.0	2,896.1	2,812.9	2,942.0
Investment collective schemes	9,041.5	7,338.6	6,038.5	6,192.3	6,038.5	3,831.3	3,566.2	3,327.6
Deposits in Credit institutions	11,552.2	9,460.8	8,961.2	9,208.1	8,961.2	10,049.9	9,415.4	9,650.0
Derivatives	679.0	426.2	231.5	183.4	231.5	191	256	241.6
Other	0.0	0.4	0.0	0	0	0	0	0
Foreign securities	62,487.1	47,626.5	35,968.1	36,656.4	35,968.1	37,094.3	35,708.0	36,122.6
Debt securities	48,435.3	30,337.4	22,713.6	23,293.2	22,713.6	22,699.0	21,937.0	21,553.5
Shares	7,783.2	8,385.8	7,037.3	6,694.9	7,037.3	7,443.8	7,069.7	7,452.0
Investment collective schemes	5,666.4	8,404.7	6,061.6	6,581.2	6,061.6	6,742.9	6,485.3	6,927.6
Deposits in Credit institutions	82.4	108.0	23.0	53.7	23	58.8	59.8	37.4
Derivatives	518.7	387.1	131.6	31.4	131.6	149.1	154.7	151.5
Other	1.1	3.6	1.1	2	1.1	0.7	1.5	0.6
Doubtful assets and matured investment	35.8	38.6	7.5	6.3	7.5	10.9	6	6.1
Intangible assets	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
Cash	7,267.7	6,531.4	5,837.6	6,000.3	5,837.6	6,398.4	5,630.4	5,324.0
Net balance (Debtors - Creditors)	114.5	91.4	161.1	456.3	161.1	181	233.3	226.2

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

Investment companies asset allocation

TABLE 3.5

Million euro	2009	2010	2011	2011 III	IV	2012 I	II	III[1]
Asset	25,924.8	26,155.0	23,614.0	23,908.9	23,614.0	24,465.8	23,473.9	24,014.5
Portfolio investment	24,813.5	25,187.3	22,521.9	22,592.7	22,521.9	23,175.1	22,149.6	22,300.8
Domestic securities	13,514.3	12,881.4	12,385.0	12,405.1	12,385.0	12,696.4	11,613.0	11,196.6
Debt securities	7,400.5	5,435.9	7,460.8	7,021.7	7,460.8	7,415.3	7,006.9	6,562.6
Shares	3,376.3	2,988.6	2,508.5	2,663.5	2,508.5	2,385.9	2,275.2	2,149.5
Investment collective schemes	1,091.1	758.7	667.4	741.8	667.4	695.3	646.1	650.9
Deposits in Credit institutions	1,631.5	3,675.2	1,721.7	1,963.5	1,721.7	2,164.7	1,649.6	1,794.8
Derivatives	-6.6	-5.9	-5.5	-17	-5.5	1.9	1.4	4
Other	21.7	29.0	32.2	31.6	32.2	33.4	33.9	34.6
Foreign securities	11,294.2	12,298.1	10,131.3	10,181.8	10,131.3	10,472.7	10,531.5	11,099.8
Debt securities	4,606.6	3,606.8	3,070.6	2,948.1	3,070.6	2,966.5	3,024.4	2,972.9
Shares	3,559.3	4,166.0	3,384.3	3,432.9	3,384.3	3,493.5	3,345.4	3,433.4
Investment collective schemes	2,987.4	4,390.5	3,516.3	3,670.2	3,516.3	3,838.7	3,997.7	4,523.7
Deposits in Credit institutions	26.3	12.1	10.8	13.4	10.8	13.8	12.1	11
Derivatives	113.0	119.9	145.4	113.7	145.4	156.3	147.6	154.6
Other	1.6	2.8	3.9	3.5	3.9	3.9	4.2	4.2
Doubtful assets and matured investment	4.9	7.9	5.5	5.9	5.5	6	5.1	4.4
Intangible assets	0.0	0.0	0.0	0	0	0	0	0
Net fixed assets	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Cash	976.4	832.0	854.6	951.4	854.6	1,071.1	1,030.2	1,530.9
Net balance (Debtors - Creditors)	134.8	135.5	237.4	364.6	237.4	218.8	294	182.7

1 Provisional data.

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

TABLE 3.6

	2009	2010	2011	2011 IV	2012 I	II	III	IV[2]
NO. OF FUNDS								
Total financial mutual funds	2,536	2,408	2,310	2,310	2,300	2,255	2,197	2,199
Fixed-income[3]	582	537	508	508	491	479	459	459
Mixed fixed-income[4]	169	160	140	140	140	132	128	127
Mixed equity[5]	165	138	128	128	130	122	119	120
Euro equity[6]	182	172	148	148	143	135	129	128
Foreign equity[7]	242	232	220	220	222	220	214	214
Guaranteed fixed-income	233	276	351	351	375	385	393	400
Guaranteed equity[8]	561	499	420	420	404	384	369	364
Global funds	187	192	203	203	200	198	194	194
Passive management[9]	69	61	59	59	64	75	75	76
Absolute return[9]	146	141	133	133	131	125	117	117
INVESTORS								
Total financial mutual funds	5,475,403	5,160,889	4,835,193	4,835,193	4,759,241	4,634,762	4,531,945	4,495,969
Fixed-income[3]	2,041,487	1,622,664	1,384,946	1,384,946	1,362,441	1,326,494	1,297,686	1,283,667
Mixed fixed-income[4]	290,151	270,341	206,938	206,938	204,653	195,137	193,992	192,435
Mixed equity[5]	182,542	171,336	145,150	145,150	145,472	141,784	140,387	139,640
Euro equity[6]	299,353	266,395	237,815	237,815	224,886	225,774	220,342	221,405
Foreign equity[7]	458,097	501,138	448,539	448,539	442,753	432,816	417,276	412,219
Guaranteed fixed-income	570,963	790,081	1,042,658	1,042,658	1,071,544	1,070,002	1,082,897	1,080,779
Guaranteed equity[8]	1,188,304	1,065,426	912,298	912,298	874,249	832,332	783,203	767,390
Global funds	88,337	105,720	127,336	127,336	113,396	105,966	105,824	105,097
Passive management[9]	85,403	90,343	100,416	100,416	101,901	108,166	110,683	116,863
Absolute return[9]	270,766	277,445	229,097	229,097	217,946	196,291	179,655	176,474
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	170,547.7	143,918.2	132,368.6	132,368.6	131,994.5	125,120.7	125,108.2	124,926.3
Fixed-income[3]	84,657.2	56,614.6	46,945.5	46,945.5	45,101.8	42,837.8	41,512.2	41,180.8
Mixed fixed-income[4]	8,695.5	7,319.0	5,253.6	5,253.6	5,686.9	5,430.9	5,512.9	5,536.6
Mixed equity[5]	3,879.6	3,470.5	2,906.1	2,906.1	3,234.2	3,040.3	3,116.2	3,135.2
Euro equity[6]	6,321.6	5,356.8	4,829.2	4,829.2	4,815.6	4,516.5	4,891.7	5,054.2
Foreign equity[7]	5,902.4	8,037.3	6,281.2	6,281.2	6,813.2	6,373.7	6,663.2	6,574.5
Guaranteed fixed-income	21,033.4	26,180.2	35,058.0	35,058.0	36,677.0	35,421.7	36,489.9	36,574.9
Guaranteed equity[8]	25,665.8	22,046.5	18,014.5	18,014.5	17,408.5	15,943.0	15,383.0	15,197.1
Global funds	3,872.5	4,440.3	5,104.7	5,104.7	4,545.5	4,272.1	4,288.4	4,305.7
Passive management[9]	3,216.6	2,104.8	1,986.2	1,986.2	2,053.9	2,190.9	2,456.2	2,684.7
Absolute return[9]	7,303.0	8,348.1	5,989.7	5,989.7	5,657.8	5,093.9	4,794.4	4,682.8

1 Mutual funds which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: October 2012.
3 Until I 2009 this category includes: Short-term fixed income, Long-term fixed income, Foreign fixed-income and Monetary market funds. From II 2009 on includes: Fixed income euro, Foreign fixed-income and Monetary market funds. From III 2011 on includes: Fixed income euro, Foreign fixed-income, Monetary market funds and Short-term monetary market funds.
4 Until I 2009 this category includes: Mixed fixed-income and Foreign mixed fixed-income. From II 2009 on includes: Mixed euro fixed-income and Foreign mixed fixed-income.
5 Until I 2009 this category includes: Mixed equity and Foreign mixed equity. From II 2009 on includes: Mixed euro equity and Foreign mixed equity.
6 Until I 2009 this category includes: Spanish equity and Euro Equity. From II 2009 on includes: Euro equity (which includes domestic equity).
7 Until I 2009 this category includes: Foreign equity Europe, Foreign equity Japan, Foreign equity USA, Foreign equity emerging countries and Other foreign equity. From II 2009 on includes: Foreign equity.
8 Until I 2009 this category includes: Guaranteed equity. From II 2009 on includes: Guaranteed equity and partial guarantee.
9 New categories from II 2009 on. Before it, absolute return funds were classified as global Funds.

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

TABLE 3.7

	2009	2010	2011	2011 IV	2012 I	II	III	IV[1]
INVESTORS								
Total financial mutual funds	5,475,403	5,160,889	4,835,193	4,835,193	4,759,241	4,634,762	4,531,945	4,495,969
Individuals	5,322,214	5,019,902	4,706,193	4,706,193	4,632,865	4,509,459	4,410,156	4,375,583
Residents	5,252,126	4,954,891	4,645,384	4,645,384	4,572,785	4,451,167	4,353,208	4,319,096
Non-residents	70,088	65,011	60,809	60,809	60,080	58,292	56,948	56,487
Legal entities	153,189	140,987	129,000	129,000	126,376	125,303	121,789	120,386
Credit Institutions	674	524	490	490	502	492	485	466
Other resident Institutions	151,479	139,550	127,765	127,765	125,168	124,123	120,632	119,253
Non-resident Institutions	1,036	913	745	745	706	688	672	667
TOTAL NET ASSETS (million euro)								
Total financial mutual funds	170,547.7	143,918.1	132,368.6	132,368.6	131,994.5	125,120.7	125,108.2	124,926.3
Individuals	132,860.5	113,660.6	106,561.9	106,561.9	108,015.5	102,223.9	102,386.1	102,289.6
Residents	130,954.4	111,900.1	105,023.5	105,023.5	106,439.1	100,763.1	100,914.7	100,827.3
Non-residents	1,906.0	1,760.5	1,538.5	1,538.5	1,576.3	1,460.9	1,471.4	1,462.3
Legal entities	37,687.2	30,257.5	25,806.7	25,806.7	23,979.1	22,896.8	22,722.0	22,636.7
Credit Institutions	2,572.0	1,926.1	1,446.7	1,446.7	1,373.5	1,274.6	1,258.3	1,260.0
Other resident Institutions	34,065.1	27,644.6	23,946.3	23,946.3	22,223.1	21,259.1	21,116.5	21,036.3
Non-resident Institutions	1,050.1	686.9	413.7	413.7	382.5	363.1	347.2	340.4

1 Available data: October 2012.

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

TABLE 3.8

Million euro	2009[2]	2010	2011	2011 III	IV	2012 I	II	III
SUBSCRIPTIONS								
Total financial mutual funds	109,915.2	78,805.2	58,145.0	10,993.2	11,231.9	12,932.8	11,089.1	18,221.5
Fixed-income	73,718.8	41,656.1	27,206.2	5,962.8	6,875.0	7,776.1	5,877.5	14,366.3
Mixed fixed-income	5,267.6	3,538.8	1,332.4	232	224.7	358.9	362.7	310.6
Mixed equity	1,135.4	1,221.7	815.7	44.6	166	101.5	195.1	94.7
Euro equity	2,183.8	1,673.0	2,085.0	472.1	513.6	284.5	354.1	312.1
Foreign equity	2,929.5	4,455.2	3,835.1	321.2	303.8	561.2	385.1	393.4
Guaranteed fixed-income	11,755.4	11,513.4	13,965.7	2,202.5	1,743.7	2,340.3	2,535.1	1,851.5
Guaranteed equity	5,589.1	5,120.1	2,570.7	751.4	368.7	474.4	494.1	272.4
Global funds	2,754.4	3,018.1	3,261.6	572.2	316.5	468.3	295.5	168.6
Passive management	535.5	683.8	924.7	197.1	357.9	249.6	366.8	263.6
Absolute return	4,045.7	5,924.8	2,147.7	237.4	362	318.1	223.1	188.3
REDEMPTIONS								
Total financial mutual funds	122,617.5	104,385.6	68,983.6	13,676.7	14,519.2	14,585.3	14,184.9	21,398.1
Fixed-income	81,197.6	68,806.1	37,633.9	7,192.5	8,405.7	8,503.0	7,658.8	16,247.2
Mixed fixed-income	2,724.4	4,955.7	3,258.1	552.8	674.4	596.8	486.3	484.2
Mixed equity	1,596.5	1,311.8	1,136.2	192.7	240.8	235.5	221.1	163.0
Euro equity	2,457.8	2,369.9	1,933.0	418.8	465.7	436.0	286.3	314.2
Foreign equity	2,165.3	3,303.3	4,652.7	841.9	489.1	575.2	498.9	449.3
Guaranteed fixed-income	15,004.5	6,797.4	6,737.4	1,155.6	1,350.4	1,756.2	2,537.7	1,793.0
Guaranteed equity	10,990.8	7,620.2	5,632.3	1,356.3	934.0	1,206.0	1,194.7	1,077.5
Global funds	2,548.6	2,694.4	2,316.3	631.4	576.9	310.4	367.6	269.7
Passive management	708.0	1,474.1	1,199.2	301.1	553.1	220.3	252.2	195.8
Absolute return	3,224.0	5,053.0	4,484.7	1,033.6	829.2	745.8	681.3	404.2

1 Estimated data.
2 For passive management and absolute return, data refers to the last three quarters of the year.

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

TABLE 3.9

Million euro	2009[1]	2010	2011	2011 III	2011 IV	2012 I	2012 II	2012 III
NET SUBSCRIPTIONS/REDEMPTIONS								
Total financial mutual funds	-12,702.3	-25,580.6	-10,853.1	-2,683.0	-3,283.0	-3,427.2	-4,399.3	-3,177.2
Fixed-income	-7,478.8	-27,149.9	-10,423.6	-1,211.6	-1,539.2	-2,496.7	-2,056.4	-1,885.4
Mixed fixed-income	2,543.2	-1,417.0	-1,980.4	-320.6	-521.6	302.2	-166.5	-46.1
Mixed equity	-461.1	-90.0	-375.5	-112	-73.9	219.8	-99.7	-45.2
Euro equity	-274.0	-696.9	142.0	52.9	49.7	-171.8	15.7	13.5
Foreign equity	764.2	1,152.1	-796.0	-516.4	-185.1	-17.2	-173.4	-38.6
Guaranteed fixed-income	-3,249.1	4,716.0	7,809.3	1,077.6	569.5	748.4	-424.4	215.7
Guaranteed equity	-5,401.7	-2,500.1	-4,053.9	-963.7	-785.2	-896.4	-1,031.7	-1,040.2
Global funds	205.8	323.6	972.2	-84.7	-187.8	-710.2	-196.7	-105.5
Passive management	-172.5	-790.3	60.8	206.6	-146.9	25	234.2	140
Absolute return	821.7	871.7	-2,207.9	-810.9	-462.5	-430.2	-500.5	-385.4
RETURN ON ASSETS								
Total financial mutual funds	8,389.8	135.7	-673.3	-3,623.9	1,622.6	3,053.1	-2,474.5	3,175.6
Fixed-income	1,535.3	64.5	744.9	-9.4	258.8	653	-207.5	560.1
Mixed fixed-income	507.9	-56.4	-85.1	-215.5	59.4	131.1	-89.6	128.2
Mixed equity	529.9	-53.4	-189.0	-336.2	82.5	108.3	-94.1	121.1
Euro equity	1,477.1	-254.1	-666.9	-1,129.3	170.1	158.2	-314.8	361.8
Foreign equity	1,309.0	877.4	-947.2	-1,206.8	437.9	549.2	-266.2	328.2
Guaranteed fixed-income	830.5	-170.4	1,070.4	422.7	247.5	870.5	-830.9	852.8
Guaranteed equity	1,024.0	-392.8	21.8	-164	99.7	290.5	-433.9	480.2
Global funds	272.2	123.1	-307.8	-479.1	138.2	151.1	-76.8	121.8
Passive management	657.8	-109.7	-163.9	-309	73.1	42.7	-97.2	135.6
Absolute return	246.4	107.7	-150.5	-197.3	55.4	98.4	-63.5	85.8

1 The data refers to the last three quarters of the year for passive management and absolute return categories.

Financial mutual funds return on assets. Detail by category

TABLE 3.10

% of daily average total net assets	2009[1]	2010	2011	2011 III	IV	2012 I	II	III
MANAGEMENT YIELDS								
Total financial mutual funds	6.13	1.09	0.45	-2.45	1.47	2.56	-1.73	3.1
Fixed-income	2.69	0.78	2.28	0.14	0.74	1.65	-0.3	1.87
Mixed fixed-income	9.34	0.61	-0.15	-3.33	1.41	2.59	-1.33	2.96
Mixed equity	16.44	0.11	-4.30	-10.57	3.28	3.71	-2.67	4.99
Euro equity	31.02	-3.05	-10.77	-22.4	4.07	3.7	-6.4	8.46
Foreign equity	33.16	14.80	-11.05	-17.26	7.55	8.7	-3.51	5.96
Guaranteed fixed-income	4.10	-0.11	3.77	1.44	0.85	2.51	-2.3	2.69
Guaranteed equity	5.08	-0.46	1.29	-0.54	0.87	1.97	-2.34	3.37
Global funds	10.82	4.15	-4.55	-8.51	2.97	3.79	-1.42	3.44
Passive management	–	-2.50	-6.27	-13.81	3.98	2.38	-4.46	6.51
Absolute return	–	2.49	-0.90	-2.6	1.2	1.99	-0.9	2.42
EXPENSES. MANAGEMENT FEE								
Total financial mutual funds	0.87	0.91	0.93	0.23	0.24	0.24	0.23	0.27
Fixed-income	0.63	0.65	0.64	0.16	0.16	0.17	0.16	0.21
Mixed fixed-income	1.14	1.20	1.17	0.28	0.3	0.29	0.27	0.33
Mixed equity	1.58	1.65	1.59	0.39	0.4	0.39	0.38	0.46
Euro equity	1.75	1.78	1.80	0.46	0.45	0.44	0.44	0.46
Foreign equity	1.79	1.84	1.77	0.44	0.45	0.47	0.43	0.49
Guaranteed fixed-income	0.65	0.62	0.72	0.19	0.19	0.19	0.19	0.21
Guaranteed equity	1.26	1.24	1.24	0.32	0.31	0.3	0.3	0.31
Global funds	1.08	1.06	1.11	0.27	0.28	0.33	0.23	0.35
Passive management	–	0.72	0.75	0.17	0.21	0.22	0.2	0.23
Absolute return	–	1.06	1.08	0.25	0.28	0.3	0.26	0.35
EXPENSES. DEPOSITORY FEE								
Total financial mutual funds	0.09	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Fixed-income	0.08	0.08	0.08	0.02	0.02	0.02	0.02	0.02
Mixed fixed-income	0.09	0.10	0.12	0.03	0.03	0.02	0.02	0.03
Mixed equity	0.10	0.12	0.12	0.03	0.03	0.03	0.03	0.03
Euro equity	0.10	0.11	0.12	0.03	0.03	0.03	0.03	0.03
Foreign equity	0.12	0.12	0.12	0.03	0.03	0.03	0.03	0.03
Guaranteed fixed-income	0.08	0.07	0.08	0.02	0.02	0.02	0.02	0.02
Guaranteed equity	0.11	0.10	0.08	0.02	0.02	0.02	0.02	0.02
Global funds	0.08	0.09	0.08	0.02	0.02	0.02	0.02	0.02
Passive management	–	0.07	0.08	0.02	0.02	0.02	0.02	0.02
Absolute return	–	0.08	0.08	0.02	0.02	0.02	0.02	0.02

1 Passive management and absolute annual returns are not included because they are new categories from II 2009 on.

Mutual funds quarterly returns. Detail by category

TABLE 3.11

In %	2009[1]	2010	2011	2011 III	IV	2012 I	II	III
Total financial mutual funds	5.73	0.35	-0.08	-2.37	1.35	2.41	-1.75	2.71
Fixed-income	1.91	0.11	1.56	0.01	0.58	1.51	-0.47	1.35
Mixed fixed-income	6.85	-0.54	-1.34	-3.47	1.2	2.3	-1.55	2.39
Mixed equity	16.47	-0.98	-5.64	-10.13	3.02	3.25	-2.9	4.11
Euro equity	32.41	-2.94	-11.71	-19.67	4.05	3.34	-6.34	8.16
Foreign equity	37.28	14.22	-10.83	-15.7	7.53	8.91	-3.63	5.27
Guaranteed fixed-income	3.81	-0.67	3.28	1.28	0.71	2.48	-2.32	2.42
Guaranteed equity	3.56	-1.79	0.14	-0.76	0.68	1.63	-2.43	3.9
Global funds	10.90	3.22	-4.64	-8.1	2.9	3.56	-1.23	2.93
Passive management	–	-2.36	-7.33	-13.94	4.11	1.97	-4.31	5.44
Absolute return	–	1.53	-1.87	-2.71	0.93	1.68	-1.04	1.82

1 Passive management and absolute annual returns are not included because they are new categories from II 2009 on.

Hedge funds and funds of hedge funds

TABLE 3.12

	2009	2010	2011	2011 III	IV	2012 I	II	III[1]
HEDGE FUNDS								
Investors/shareholders	1,917	1,852	2,047	2,057	2,047	2,077	2,169	2,309
Total net assets (million euro)	652.0	646.2	728.1	703.9	728.1	775.3	774.5	845.8
Subscriptions (million euro)	248.7	236.6	201.1	36.1	50.5	71.5	60.7	75.6
Redemptions (million euro)	198.3	268.6	92.5	17.3	39	49.8	41.9	24.6
Net subscriptions/redemptions (million euro)	50.4	-32.0	108.6	18.8	11.5	21.7	18.7	51
Return on assets (million euro)	62.2	26.3	-26.5	-53.8	12.8	25.5	-19.6	20.4
Returns (%)	14.94	5.37	-2.60	-6.81	2.16	3.66	-2.42	0.89
Management yields (%)[2]	13.76	6.33	-1.88	-7.04	2.16	3.68	-1.65	2.39
Management fee (%)[2]	2.55	1.91	1.66	0.38	0.38	0.38	0.37	0.23
Financial expenses (%)[2]	0.11	0.07	0.06	0.01	0.01	0.01	0.01	0.01
FUNDS OF HEDGE FUNDS								
Investors/shareholders	5,321	4,404	3,805	4,046	3,805	3,592	3,607	3,532
Total net assets (million euro)	810.2	694.9	573.0	617.4	573	568	561.4	565.2
Subscriptions (million euro)	302.4	47.9	10.6	1.9	2.2	2	7.4	–
Redemptions (million euro)	585.4	184.8	120.1	10.7	51.1	13.5	13.3	–
Net subscriptions/redemptions (million euro)	-283.0	-136.9	-109.6	-8.8	-48.9	-11.5	-5.9	–
Return on assets (million euro)	71.9	21.7	-12.3	-9.9	4.5	6.4	-0.7	–
Returns (%)	7.85	3.15	-1.70	-1.5	0.85	1.15	-2.21	0.1
Management yields (%)[3]	11.54	4.38	-0.47	-1.21	1.09	1.45	0.16	–
Management fee (%)[3]	1.34	1.25	1.25	0.3	0.31	0.32	0.3	–
Depository fee (%)[3]	0.11	0.08	0.08	0.02	0.02	0.02	0.02	–

1 Available data: August 2012. Return refers to the period June-August.
2 % of monthly average total net assets.
3 % of daily average total net assets.

Management companies. Number of portfolios and assets under management[1]

TABLE 3.13

	2009	2010	2011	2011 IV	2012 I	II	III	IV[2]
NUMBER OF PORTFOLIOS								
Mutual funds	2,593	2,429	2,341	2,341	2,306	2,284	2,224	2,210
Investment companies	3,135	3,068	3,002	3,002	2,975	2,967	2,958	2,943
Funds of hedge funds	38	32	27	27	27	28	26	25
Hedge funds	28	31	35	35	35	35	35	36
Real estate investment fund	8	8	6	6	6	6	6	6
Real estate investment companies	8	8	8	8	8	8	8	8
ASSETS UNDER MANAGEMENT (million euro)								
Mutual funds	170,547.7	143,918.2	132,368.6	132,368.6	131,994.5	125,120.7	125,108.2	124,926.3
Investment companies	24,952.8	25,361.3	23,037.8	23,037.8	23,827.4	22,849.4	23,353.0	23,401.9
Funds of hedge funds[3]	810.2	694.9	573.0	573.0	568.0	561.4	565.2	–
Hedge funds[3]	652.0	643.5	694.7	694.7	775.3	738.0	808.1	–
Real estate investment fund	6,465.1	6,115.6	4,494.6	4,494.6	4,446.9	4,386.0	4,313.9	4,274.7
Real estate investment companies	308.5	321.9	312.5	312.5	310.8	305.1	294.7	284.5

1 From II Quarter 2009 on 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: October 2012.
3 Available data for III Quarter 2012: July 2012.

Foreign Collective Investment schemes marketed in Spain[1]

TABLE 3.14

				2011		2012		
	2009	2010	2011	III	IV	I	II	III[2]
INVESTMENT VOLUME[3] (million euro)								
Total	25,207.2	36,692.9	29,969.5	30,967.3	29,969.5	31,835.1	34,537.8	38,355.3
Mutual funds	5,215.1	8,535.9	6,382.9	6,446.0	6,382.9	6,583.3	7,188.4	7,571.4
Investment companies	19,992.0	28,156.9	23,586.6	24,521.3	23,586.6	25,251.9	27,349.4	30,783.9
INVESTORS/SHAREHOLDERS								
Total	685,094	865,767	761,380	803,801	761,380	768,467	788,852	818,115
Mutual funds	139,102	193,233	177,832	185,665	177,832	175,621	179,987	185,718
Investment companies	545,992	666,534	583,548	618,136	583,548	592,846	608,865	632,397
NUMBER OF SCHEMES								
Total	582	660	739	695	739	765	743	749
Mutual funds	324	379	426	395	426	443	421	418
Investment companies	258	281	313	300	313	322	322	331
COUNTRY								
Luxembourg	275	290	297	298	297	303	302	308
France	178	225	284	241	284	300	278	279
Ireland	64	75	87	82	87	90	89	90
Germany	17	20	20	21	20	20	22	23
UK	14	16	19	19	19	20	21	21
The Netherlands	1	1	1	1	1	1	1	1
Austria	27	27	25	27	25	25	24	20
Belgium	5	5	5	5	5	5	5	5
Malta	1	1	1	1	1	1	1	1
Denmark	0	0	0	0	0	0	0	1

1 Exchange traded funds (ETFs) data is not included.
2 Provisional data.
3 Investment volume: participations or shares owned by the investors/shareholders at the end of the period valued at that moment.

Real estate investment schemes[1]

TABLE 3.15

				2011	2012			
	2009	2010	2011	IV	I	II	III	IV[2]
REAL ESTATE MUTUAL FUNDS								
Number	8	7	6	6	6	6	6	6
Investors	83,583	75,280	29,735	29,735	29,754	27,716	27,587	26,970
Asset (million euro)	6,465.1	6,115.6	4,494.6	4,494.6	4,446.9	4,386.0	4,313.9	4,274.7
Return on assets (%)	-8.31	-4.74	-3.23	-0.93	-0.86	-1.23	-1.65	-0.53
REAL ESTATE INVESTMENT COMPANIES								
Number	8	8	8	8	8	8	8	8
Shareholders	928	943	943	943	939	939	935	938
Asset (million euro)	308.6	321.9	312.5	312.5	310.8	305.1	294.7	284.5

1 Real estate investment schemes which have sent reports to the CNMV, excluding those in process of dissolution or liquidation.
2 Available data: October 2012. In this case, return on assets is monthly.