CNMV
Comisión
Nacional
del Mercado
de Valores

Annual report
regarding its actions
and the securities markets
2011

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Abbreviations

ABS	Asset Backed Securities
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
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)
ESFS	European System of Financial Supervisors
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	Operator of the Iberian energy derivatives market (Operador do Mercado Ibérico de Energia)
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 Fondo 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 Tradable Securities

General table of contents

Index of exhibits

Index of tables

Index of figures

Index of annexes

Legislative annexes 289

CNMV organisation 309

I Economic and financial framework

1 Economic and financial environment

The international macroeconomic and financial environment was looking more robust in the first months of 2011, but then deteriorated anew from mid-year onwards on resurgent tensions in European debt markets and growing evidence of a sharp stall in world economic activity. Finally, world growth decelerated from 5.3% in 2010 to 3.9% in 2011. The advanced economies managed a growth rate of 1.6%, half that of the previous year. The emerging market economies, despite closing the year with 6.2% growth, also suffered a degree of slowdown. Inflation rates in the main economic regions softened steadily from April onwards, helped by lower heading energy prices. Except in the euro area, there were no major changes to speak of in official interest rates, while, in the fiscal policy domain, many countries pressed on with the consolidation of their public finances.

International financial markets came under renewed stress in spring 2011 following Portugal's appeal for EU financial assistance and mounting uncertainties around the eventual scale of the Greek debt crisis. The result was a run-up in long-term government bond yields across a broad group of European countries, accompanied by falling yields in the economies perceived as soundest, particularly the United States, Germany and, also, the United Kingdom. What stood out in this latest outbreak was the spread of tensions to countries like France and Belgium, which had barely been affected in earlier crisis rounds. The credit spreads of a sizeable number of European economies escalated over the summer, pushing up financing costs for multiple agents and causing a lull in issuance activity. Uncertainty reached its peak in the month of November. Since then, tensions have been calmed by the exceptional financing measures adopted by the ECB, the commitment of European governments to the path of fiscal austerity and the orderly restructuring of Greece's debt that took place in the opening quarter of 2012.

Equity markets were again caught in the slipstream of the European debt crisis, above all in the third quarter, which was characterised by heavy losses on leading stock indices. Panning out to the full-year period, however, we observe a divergent performance across main world zones. In the United States, almost all indices closed in gains, contrasting with price falls of over 13% in Europe (except the UK) and Japan. Faced with mounting turbulence, on 11 August the supervisory authorities of Belgium, Spain, France and Italy, under the coordination of ESMA (the European Securities Market Authority), imposed a temporary ban on the creation or increase of short positions in financial stocks within their respective jurisdictions, as analysed in greater depth in chapter 2 of this report. Restrictions were subsequently lifted in February 2012.

Last year was a testing time for Spain's economy and financial markets. GDP growth averaged just 0.7%, comparing unfavourably with the 1.5% of the euro area. Economic readings for the last quarter were particularly negative, with output contracting 0.3% due to faltering domestic demand. The weakness of domestic activity made further inroads into labour market figures. Employment fell by nearly 2% and the unemployment rate jumped to 21.6%. The public deficit, meantime, decreased from 9.3% of GDP to 8.5% in 2011. In this light, economic policy was largely dictated by the need to undertake a fiscal adjustment at a time of significant demand weakness, and advance with the reform and restructuring of the financial sector. These challenges, plus the need to tackle the severe dysfunction of the Spanish labour market, will foreseeably condition the progress of the national economy over the next few quarters.

Still in Spain, the intensification of European sovereign debt market tensions beginning in the spring, had a strong knock-on effect on fixed-income and equity markets. In the first case, credit risk premiums reached record highs in both the public and the private sector, complicating debt issuance from mid-year onwards. In the second, falling prices and a spike in volatility were accompanied by a degree of deterioration in liquidity and trading volumes, due partly to the aforementioned ban on the short selling of financial stocks.

1.1 International economic and financial situation

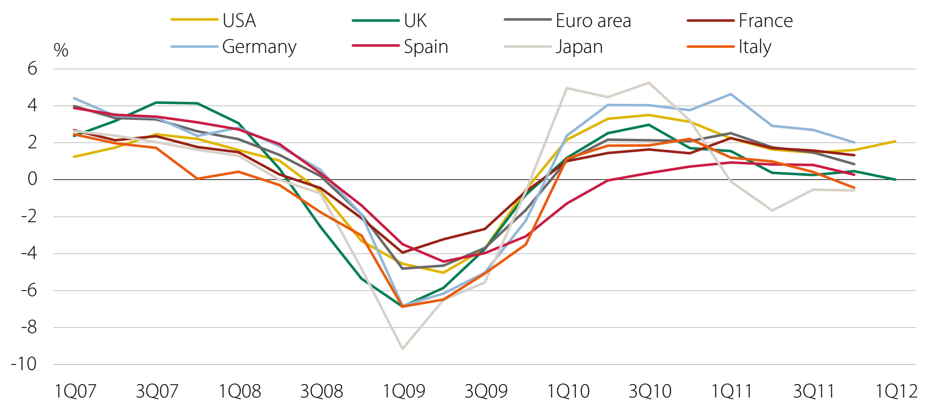
1.1.1 The world economy

The world economy stalls in the closing months of 2011

The world economy opened the year in improvement mode, but from mid-year onwards macroeconomic indicators began to show signs of downturn. Growth slowed more abruptly among the European economies most exposed to the worsening financial situation, in a period marked by intense fiscal adjustment efforts in a large number of Member States.

World growth receded from 5.3% in 2010 to 3.9% in 2011, with rates slowing in both the advanced economies (from 3.2% in 2010 to 1.6% in 2011) and the emerging economies (from 7.5% to 6.2%). Of the first group, Germany and the United States registered sturdy advances of 3.1% and 1.7% respectively, but, as figure 1.1. shows, the slowdown was felt in all the advanced economies, some of whom, like Italy, saw year-on-year rates turn negative in the closing quarter. Japan too closed in negative territory, as its struggled to cope with the after effects of the March earthquake.

GDP: annual change FIGURE 1.1



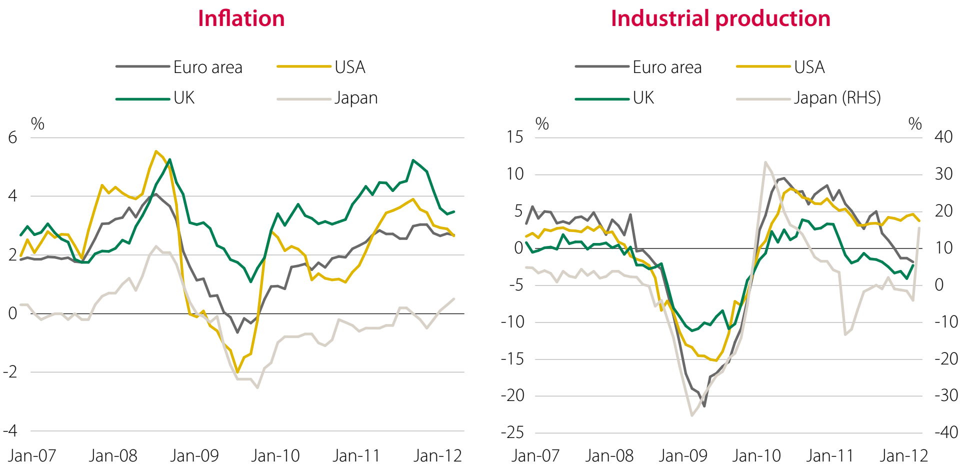
Source: Thomson Datastream.

Among the emerging contingent, the Asian economies kept up a strong expansion pace headed by China, with 2011 growth of 9.2%, and India, with 7.2%. In Latin America, Brazil's GDP growth sank from 7.5% to 2.7%, while Mexico managed a nearly 4% advance.

Inflation rates ease on decelerating energy prices

After the peak levels reached in spring 2011, inflation rates in the main advanced economies headed lower in the closing months to end the year in the interval of 2.7% to 3.6% (the exception being Japan, with a zero rate). The chief factor driving the reduction was slower climbing energy prices (see figure 1.2). Although core inflation stayed relatively tame, there were signs of rates straining higher in economies, like the United States, experiencing greater dynamism.

Inflation and industrial production (annual change) FIGURE 1.2



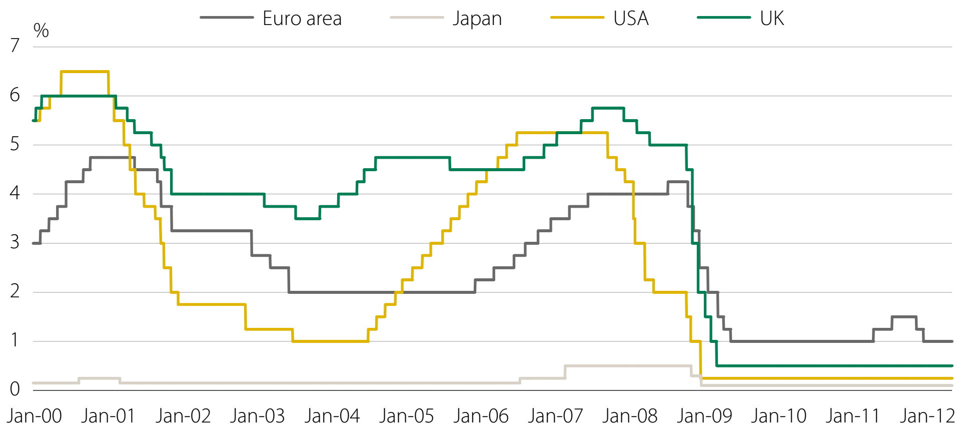
Source: Thomson Datastream.

The fact that inflation expectations remain well anchored enabled official rates to be kept on hold. The exception was the euro area, where rates were raised from 1% to 1.5% between April and July 2011, before being cut back to 1% in the closing months of the year. U.S. rates, meantime, stayed at 0-0.25%, Japanese rates at 0.1% and the UK rate at 0.5%[1] (see figure 1.3).

Against this backdrop, the central banks of the advanced economies opted to prolong some of the non-conventional monetary measures adopted in previous years, and even to add a few new ones. Of particular note was the ECB's decision of 8 December to temporarily accept certain bank loans as collateral in its refinancing operations, and to conduct two longer-term refinancing operations with maturity of 36 months. Both these offerings were finally taken up in their entirety.

1 The closing date for this report was 30 April. The figures in this chapter incorporate the data available up to that point.

Official interest rates FIGURE 1.3



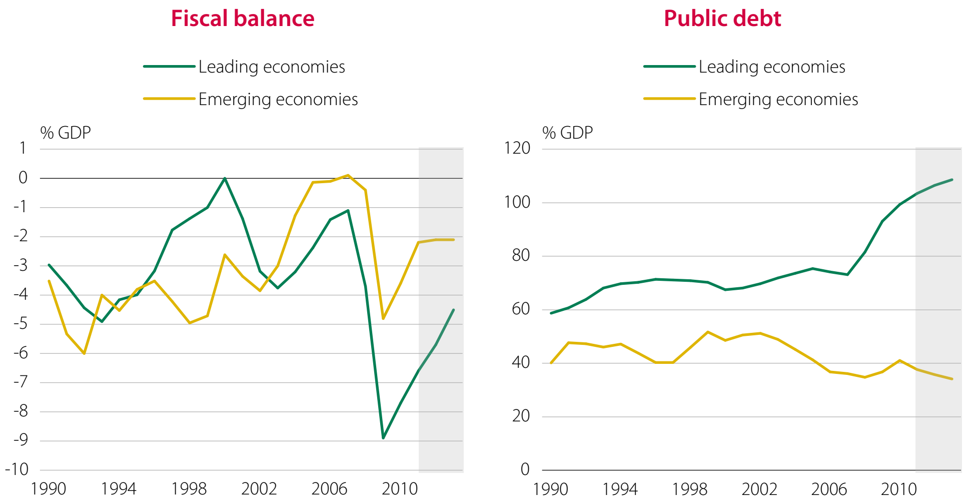
Source: Thomson Datastream.

Leading economies keep up the drive to restore order in their public finances

Leading economies advanced further down the road of public finance consolidation initiated in 2010, after the deficit spike of 2009. Public deficit improvement among the advanced economies was not fast enough, however, to allow a reduction in their public debt levels, which closed near 103% of GDP. Among the emerging economies, whose public accounts had held up better since the onset of the crisis, aggregate public debt again amounted to around 38% of GDP (see figure 1.4).

The latest IMF forecasts, published in April 2012, project that budget deficits will be reined in further over 2012 and 2013. The adjustment will be sharpest among the advanced economies, where deficits should reduce by two points of GDP on average. Even so, their public debt could go on rising to around 109% of GDP in 2013, while emerging economies are tipped to reduce their ratios to 34% approximately (38% in 2011).

Fiscal balance and public debt FIGURE 1.4



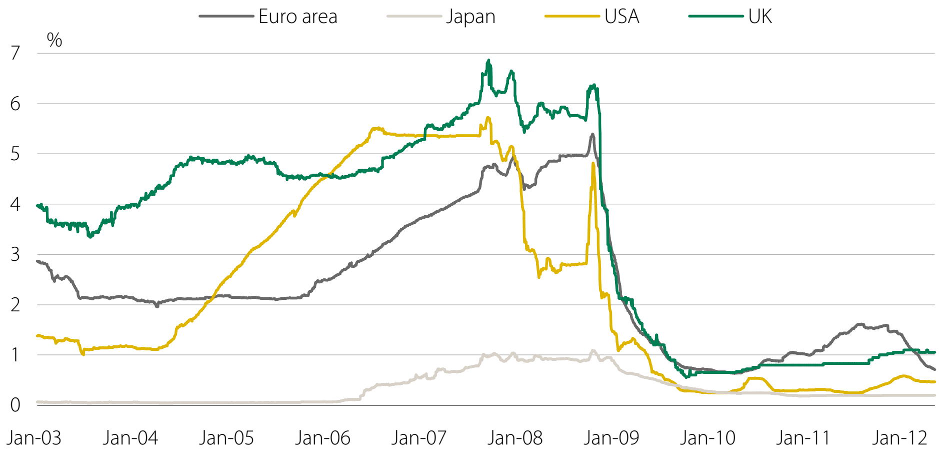
Source: IMF. Forecasts in shadded areas.

1.1.2 Developments in international financial markets

Short-term rates remain in most cases near all-time lows

Interbank rates continued at lows throughout 2011 in the main advanced economies, in line with the scenario for policy rates (see figure 1.5). Only in the euro area were there signs of short rates pulling higher in the first half of the year, ahead of the anticipated change in the region's monetary stance. This change finally came with the ECB's decision to hikes rates by 25 bp on two occasions, in April and July, as far as 1.5%. It then switched stance again towards the end of the year, setting rates back on a downward path, in view of the low-key inflation and growing weakness of economic activity in the zone.

Short-term interest rates[1] FIGURE 1.5



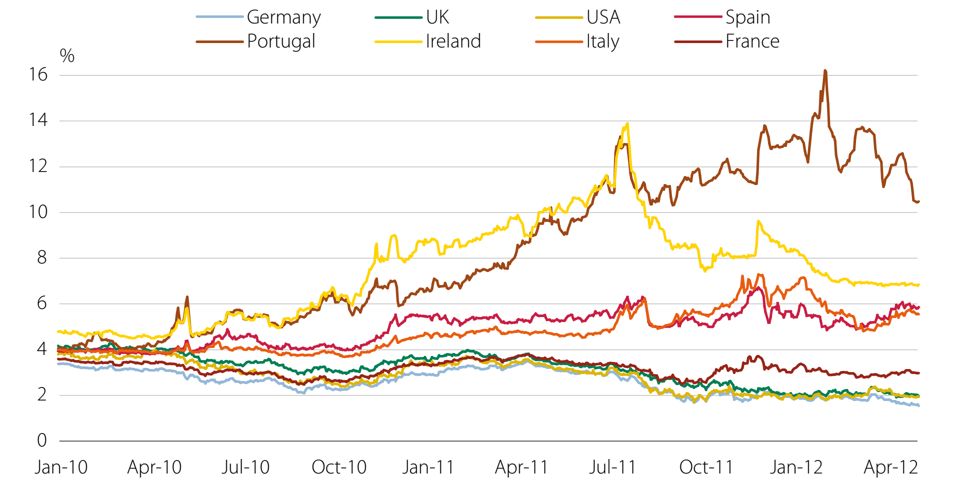
Source: Thomson Datastream. (1) Three-month Libor.

Resurgent tensions around European sovereign debt were felt with force on global bond markets

Among the advanced economies, long-term sovereign yields continued to diverge through 2011, with the countries viewed as soundest (United States, Germany and, also, the United Kingdom) moving separately from those betraying more signs of fragility. After the spring upswing in debt market tensions, ten-year yields dropped to near 2% or lower in the U.S., Germany and United Kingdom, while most euro-area economies saw their yields head higher with two interruptions (see figure 1.6). The first was in August, in reaction to the ECB's launch of its bond-buying programme on secondary markets, and the second in December, when the central bank unveiled plans for its exceptional long-term refinancing operations with a maturity of 36 months.

Ten-year government bond yields

FIGURE 1.6

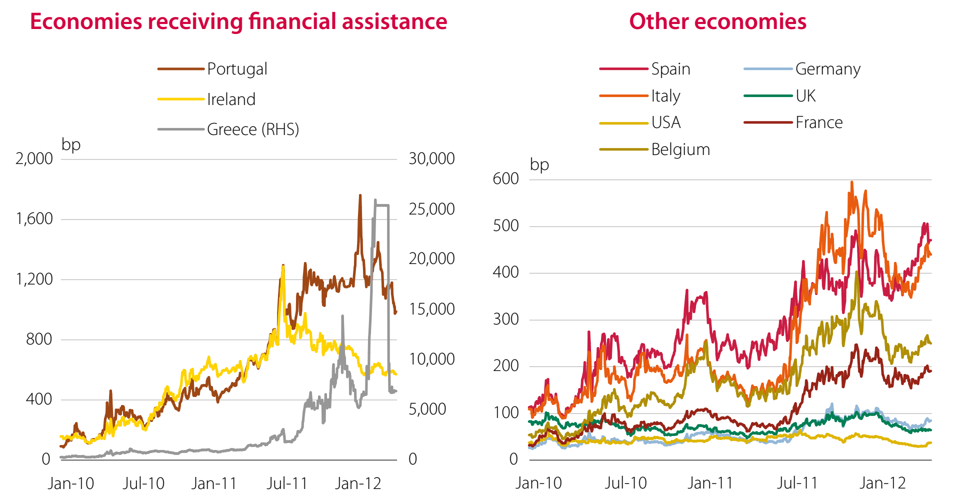


Source: Thomson Datastream.

In Europe, the sovereign spreads of most economies climbed more or less continually from the second quarter on, after the respite of the opening quarter. As we can see from the right-hand panel of figure 1.7, what stood out in this crisis episode was the spread of tensions to other European economies that had previously steered clear. The list extended to Italy, with a 141 bp increase in its sovereign risk premium to 485 bp; Spain, with an increase of 227 bp to 379 bp; Belgium, with an increase of 132 bp to 309 bp and, finally, France, with an increase of 72 bp to 217 bp. Spreads then narrowed slightly in the first quarter of 2012 only to widen again in April.

Sovereign CDS spreads

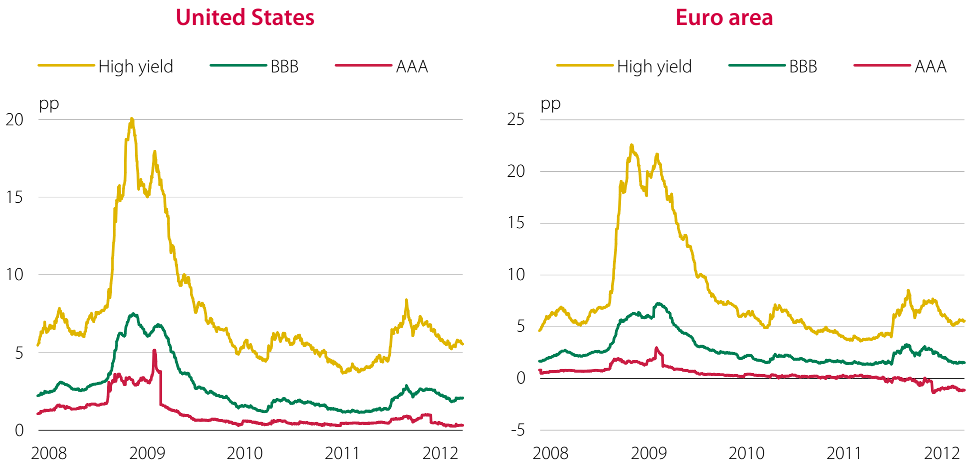
FIGURE 1.7



Source: Thomson Datastream.

The increase in sovereign risk premiums spread with some virulence to corporate bond spreads in both the euro area and the United States. The impact was especially severe in high-yield segments, where October spreads were the highest on record since 2009. The pressure, however, eased somewhat in subsequent months (see figure 1.8).

Corporate bond spreads[1] FIGURE 1.8



Source: Thomson Datastream (Merrill Lynch and IBOXX indices). (1) Expressed as the yield spread between bonds of the same maturity and credit quality belonging to a given index and 10-year government bonds (a synthetic bond in the case of the euro area).

Debt issuance tails off sharply in the second half of 2011

Net international debt issuance came to 4.9 trillion dollars in the full-year period, 26.5% less than in 2010. Most of the shrinkage traced to public sector borrowers, particularly in the United States. In general, the worsening global outlook of the second half proved a strong disincentive for issuance (see figure 1.9), to the extent that financial-sector issue volumes sank below redemptions in both Europe and the United States. In fact issuance activity almost dried up entirely during some weeks of the third quarter. Non-financial corporations in most regions also cut back on issuance in response to the debt crisis, after a busy first half with activity far exceeding that of the previous year. Even so, full-year sales were higher than in 2010 everywhere except the United States.

International issuance trailed behind last year's over the opening months of 2012, due to lower net financing by the public sector and U.S. and European financial corporations. Non-financial issuers, however, returned with force to the debt markets across all geographical areas.

Net international debt issuance FIGURE 1.9

Source: Dealogic. Half-year data. Data for 2012 run to 30 April, but are restated on a semiannual basis to facilitate comparison.

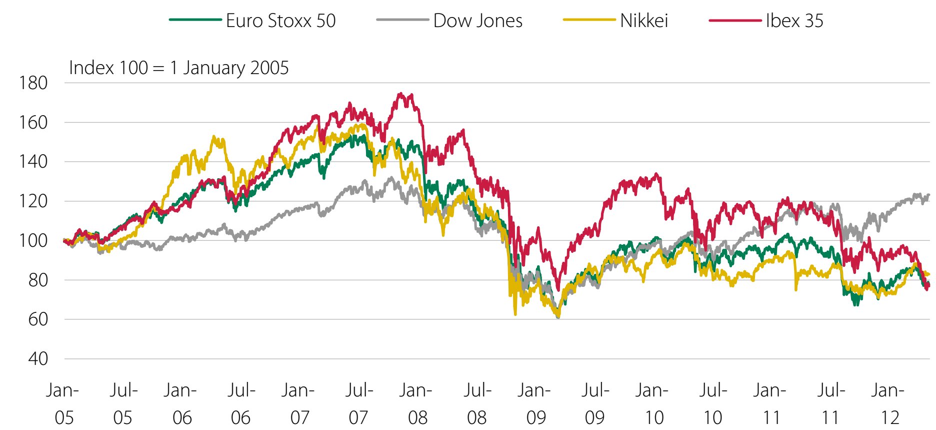
Equity markets, with few exceptions, end the year in losses

Most leading stock markets began the year in bullish mood on the improved economic prospects coming through. As of spring, however, renewed turbulence in euro-area markets, compounded by a worsening outlook for the world economy, triggered a run-down in prices that was especially intense in the third quarter of the year. The mild rally of the fourth quarter came too late to compensate these earlier losses, with the result that all main European indices closed with falls of over 13%, except the UK's FTSE 100, which shed 5.6% (see table 1.1). U.S. indices outperformed their European peers, with the DJIA up by 5.5% and the Nasdaq losing 1.8%. In Japan, the March earthquake cast its shadow over the whole of the year, which closed with the Nikkei index down by 17%.

Emerging market stock indices performed broadly in line with those of the advanced economies. While the first-half period was marked by divergence, with Eastern European indices pulling ahead of the rest, the third quarter was characterised by steeply falling prices in a majority of markets, partly offset by a renewed fourth-quarter advance. Finally, the year ended with losses on all main emerging indices, close to or at times exceeding those of the advanced economies. Among the worst performers were the Argentine Merval (-30.1%) and Asian indices like those of Taiwan (-21.2%,) India (-25.7%) and China (-21.7%).

Performance of main world stock indices

FIGURE 1.10



Source: Thomson Datastream.

Performance of main world equity markets

TABLE 1.1

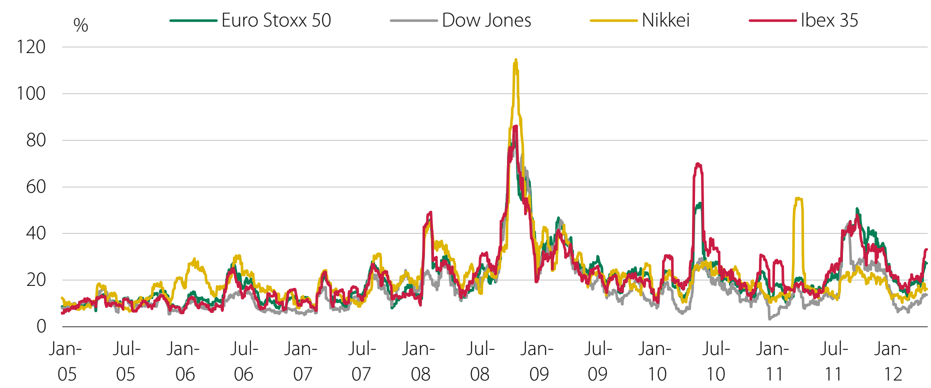
Market	Index	Annual change[1] (%)				
Developed countries		**2007**	**2008**	**2009**	**2010**	**2011**
United States	Dow Jones Ind. A.	6.4	-33.8	18.8	11.0	5.5
United States	Nasdaq Composite	9.8	-40.5	43.9	16.9	-1.8
Japan	Nikkei	-11.1	-42.1	19.0	-3.0	-17.3
United Kingdom	FTSE 100	3.8	-31.3	22.1	9.0	-5.6
Euro area	Euro Stoxx 50	6.8	-44.4	21.1	-5.8	-17.1
Euronext	Euronext 100	3.4	-45.2	25.5	1.0	-14.2
Germany	Dax 30	22.3	-40.4	23.8	16.1	-14.7
Italy	Mib 30	-8.0	-48.7	20.7	-8.7	-24.0
Spain	Ibex 35	7.3	-39.4	29.8	-17.4	-13.1
Latin America and Asia						
Argentina	Merval	2.9	-49.8	115.0	51.8	-30.1
Brazil	Bovespa	43.7	-41.2	82.7	1.0	-18.1
Chile	IGPA	13.8	-19.6	46.9	38.2	-12.4
Mexico	IPC	11.7	-24.2	43.5	20.0	-3.8
Peru	IGBL	36.0	-59.8	99.2	66.4	-16.7
South Korea	Korea Cmp Ex	32.3	-40.7	49.7	21.9	-11.0
Hong Kong	Hang Seng	39.3	-48.3	52.0	5.3	-20.0
China	Shanghai Composite	96.7	-65.4	80.0	-14.3	-21.7

Source: Thomson Datastream. (1) In local currency.

Equity market volatility held at manageable levels over the first few months of 2011, then built up progressively in the second half to between 30% and 40% depending on the index. This was less than the heights reached in earlier disruptions, but still substantially above historic highs (close to 20%). In view of the instability gripping stock exchanges, the securities authorities of Belgium, Spain, France and

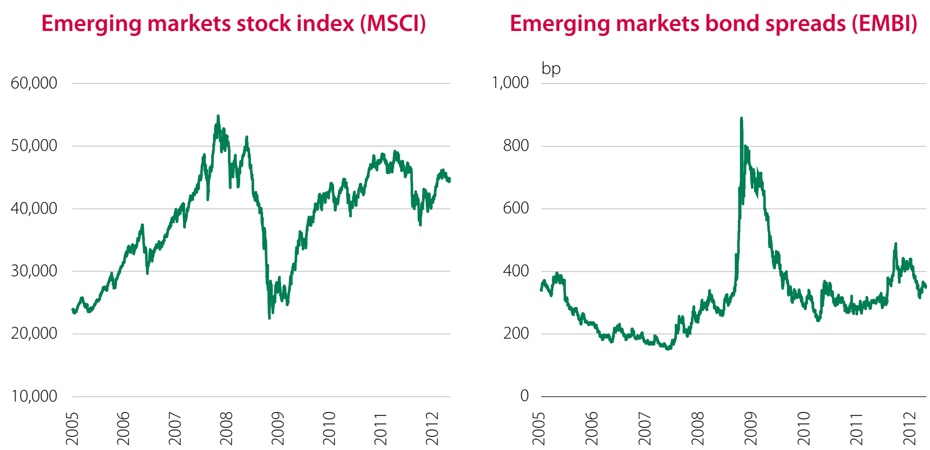
Italy, under the coordination of ESMA, decided on 11 August to temporarily ban the creation or increase of short positions in financial sector stocks in their respective jurisdictions. These restrictions were lifted in February 2012 (for a fuller discussion on this trading modality and the effects of the recent ban, see chapter 2 of this report).

Historical volatility[1] of main stock indices FIGURE 1.11



Source: Thomson Datastream. (1) Historical volatility on each day is calculated as the standard deviation of daily index returns in the 20 preceding sessions

Emerging economy financial markets FIGURE 1.12

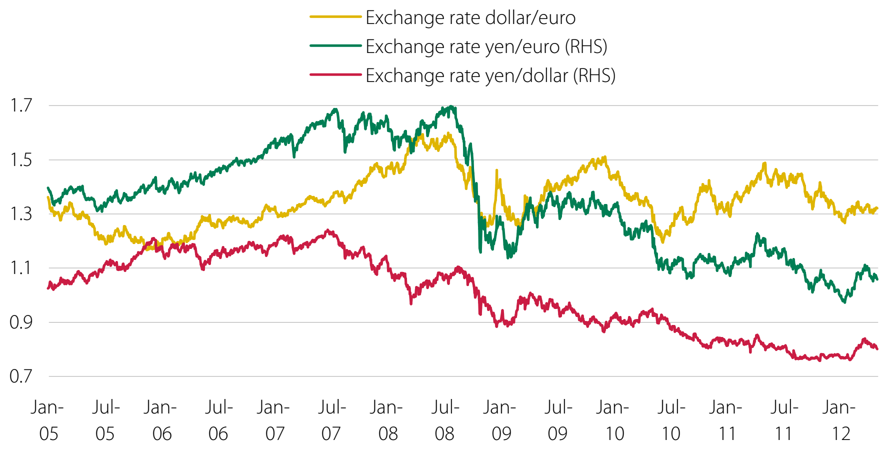


Source: Thomson Datastream and Bloomberg.

Sovereign debt turbulence bears down on the euro

In currency markets, the euro started out gaining ground against most leading currencies only to sink back heavily through most of the rest of the year. The prolongation of the sovereign debt crisis, the area's deteriorating economic prospects, and the liquidity injections of the ECB were the main factors detracting value from Europe's currency. Specifically, the euro strengthened from an initial 1.3 dollars to almost 1.5 dollars in May, then fell back gradually to roughly 1.3 dollars at the annual close. Against the yen, the euro traced a similar pattern, rising from 110 to 122 in the first four months then back to a closing rate of 100 yens. As we can see from figure 1.13, the euro staged a small comeback in the first months of 2012.

Euro exchange rates against the dollar and yen FIGURE 1.13



Source: Thomson Datastream.

1.2 National economic and financial developments

A new growth contraction

Spanish GDP contracted three decimal points between September and December 2011, leaving the average year-on-year growth rate at 0.7%. The euro area too experienced a fourth-quarter slowdown of 0.3 points, though a more dynamic showing in prior quarters left the average rate at 1.5%. Nationally, the growth stall had its roots in domestic demand weakness insufficiently countered by a positive input from the net export side, owing to a sharp fall in imports of goods and services. All domestic demand components lost momentum in the fourth-quarter period, from private (-1%) and government (-1.1%) consumption to housing (-2.3%) and equipment investment (-3.9%).

Key variables of the Spanish economy TABLE 1.2

	2007	2008	2009	2010	2011
GDP	3.6	0.9	-3.7	-0.1	0.7
Private consumption	3.7	-0.6	-4.3	0.8	-0.1
Government consumption	5.5	5.9	3.7	0.2	-2.2
Gross fixed capital formation, of which:	4.6	-4.7	-16.6	-6.3	-5.1
equipment	9.0	-2.9	-22.3	5.1	1.4
Exports	6.6	-1.0	-10.4	13.5	9.0
Imports	8.0	-5.2	-17.2	8.9	-0.1
Net exports (growth contribution, p.p.)	-0.9	1.5	2.8	0.9	2.5
Employment	3.1	-0.2	-6.5	-2.6	-2.0
Unemployment rate (% active population)	8.3	11.3	18.0	20.1	21.6
Harmonised index of consumer prices	2.8	4.1	-0.2	2.0	3.1
Current account (% GDP)	-10.0	-9.6	-5.2	-4.6	-3.7
General government account (% GDP)	1.9	-4.5	-11.2	-9.3	-8.5

Source: Ministry of Economy and Competitiveness and National Statistics Office (INE). Annual change rates, unless otherwise indicated.

From a supply side perspective, the variation in fourth-quarter product was sourced -1.4% from industry (-0.9% in the third quarter), -1.1% from construction (-1.0%) and -0.1% from services (0.9%). Over the full-year period, GDP increased 1.9% in industry and 1.1% in services, and contracted 3.8% in the construction branch

Spanish inflation has moderated steadily from the 4% of spring 2011. By March 2012, the year-on-year rate was down to 1.8% (2.3% in December 2011) thanks to the slower advance of energy prices and other index components. Core inflation too continued to fall (1.2% in March), while the country's inflation differential vs. the euro area closed March at -0.8 points, four decimal points lower than in December last year.

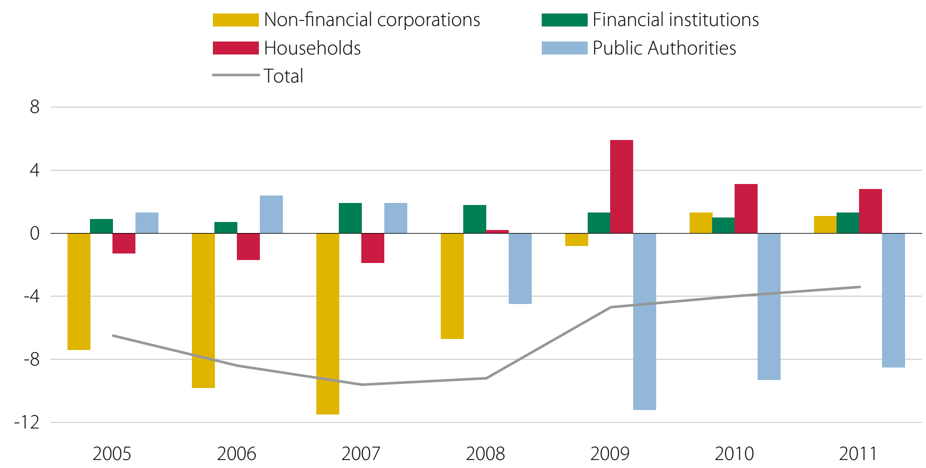
Labour market figures confirmed the continuing advance of job destruction (2% in 2011) and the unemployment rate, which by end-2011 was up to 22.8% of the labour force. Unit labour costs fell by approximately 2% with robust gains in productivity (2.8%) more than compensating the annual difference in employee pay (0.8%).

Budgetary execution data published at the end of February put the full-year general government deficit at 8.5% of GDP (9.3% in 2010), breaking down 5.1% for central government, 2.9% for the regions and 0.4% for local authorities. The deficit of the social security system stood at 0.1% of GDP. Meantime the public debt ratio scaled up from 61.2% in 2010 to 68.5% in 2011.

Small decline in the net borrowing position of the Spanish economy

For the third year running, the Spanish economy reduced its net borrowing position vs. the rest of the world, from 4% of GDP in 2010 to 3.4% in 2011 (see figure 1.14). By sector, we can see that funding requirements were highest among the regions (the Autonomous Communities), while households and non-financial corporations maintained a net lending position at the end of the year. In the case of households, this surplus position, 2.8% of GDP vs. 3.1% in 2010, is primarily explained by a decrease in their liabilities. Finally, the net lending capacity of non-financial corporations held more or less flat at around 1% of GDP.

Net lending (+)borrowing (-) capacity of the Spanish economy (% GDP) FIGURE 1.14



Source: Banco de España.

Household savings rates continue to decline albeit with rather less intensity

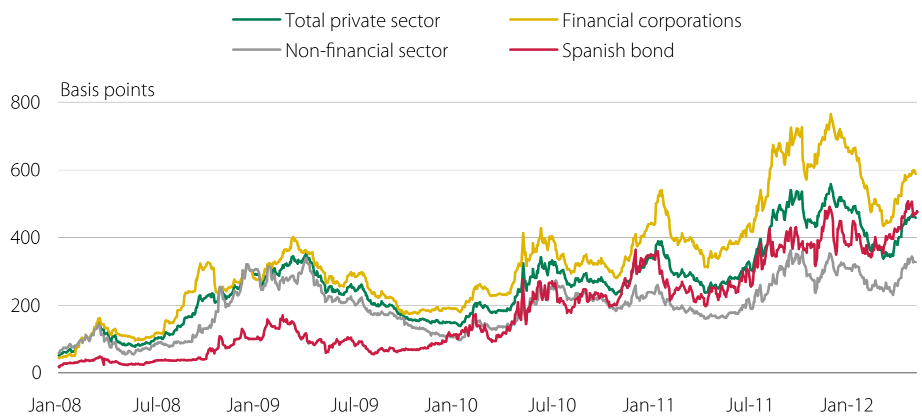
Household asset indicators for the third quarter of 2011 reveal further decline in the savings rate to less than 12% of disposable income, compared to its peak levels above 18% in early 2010. Household debt also trended lower to just over 120% of gross disposable income (from just under 130% in 2010), while net wealth contracted further on depreciating real estate and financial assets.

The European sovereign debt crisis pushes up credit risk across the economy and depresses debt issuance in the second half

Spanish fixed-income markets endured some tense times in the second half of 2011, following the mid-year flare-up in Europe's ongoing sovereign debt crisis. Perceptions of Spanish sovereign risk turned sharply for the worse after the improvement of the opening months. Both the yield spread over the German bond and sovereign CDS spreads climbed to November highs of around 480 bp (see figure 1.15). Private-sector spreads too reached historic highs, with financial issuers the most chastised. Though risk perceptions eased somewhat in the first few months of 2012, they were very much back in the foreground by the closing date for this report.

Gross private sector issuance, in which financial corporations figure large, increased appreciably in the full-year period (up by 15% to 409 billion euros) thanks to an early spurt. However, a new wave of debt market turmoil depressed issue volumes in the second half. Not only that, much of this paper was retained by the banks for use as collateral in Eurosystem credit operations. Finally, gross general government debt issuance rose by 5.2% in 2011 as far as 247 billion euros.

Risk premium of Spanish issuers[1] FIGURE 1.15



Source: Thomson Datastream. (1) Credit derivatives markets. 5-year maturities. Simple average, except for Spanish sovereign CDS.

Financial institutions have to cope with the increased cost of market funding and continuing fallout from the real estate downturn

Spanish credit institutions pressed on with the restructuring whose goal is to prime them to operate in the new sector landscape and surmount the problems caused by the surge in delinquent loans. NPL ratios closed the year 2011 at 7.6% and have kept on expanding through the opening months of 2012 (8.2% in February). For the moment, the funds obtained from the Eurosystem should allow banks to cover debt redemptions in the next two years with some room to spare. However, weak domestic activity has continued to weigh on the sector, to the extent that the 2011 pre-tax earnings of Spanish deposit-taking entities were negative to the tune of 2.82 billion euros, compared to 9.84 billion profits in the year 2010. The factors driving this decline were the erosion of net interest income and steeper impairment losses on financial and non-financial assets.

Lending to non-financial sectors lapsed back in the year after the subdued recovery of April to December 2010. Specifically, the financial liabilities of these sectors dropped by 2.4% to December 2011 after climbing 0.4% the previous year. Lending to non-financial corporations and households in Spain was down by 2.3% and 2.4% respectively, contrasting with the 1.1% and 1.5% advances recorded in the euro area. Further, data to February show no let-up in the decline in outstanding loans to the private sector of the economy (down by 2.4% in annual terms).

Spanish credit institutions again had to cope with tougher funding conditions on wholesale markets, especially in the second half. Generally, both Spanish and European banks opted to switch into instruments of perceived higher quality, particularly mortgage covered bonds. Meantime, the Eurosystem borrowings of Spanish financial institutions built up gradually from 42 billion euros in spring 2011 to 227 billion in March 2012, ahead of the levels observed in May 2010 during the first round of the Greek debt crisis. The opening months of 2012 have brought an appreciable upswing in issuance by Spanish banks, which was also notable for the renewed popularity of government-backed debt after the scant take-up of 2011.

More profits decline among non-financial corporations

The aggregate profits of non-financial listed companies fell by 32% in 2011 to 21.44 billion euros (see table 1.3). The worst performing sector was construction and real estate, which returned to losses in 2011 after a relatively buoyant 2010. Energy and services, Spain's biggest earning sectors, saw their profits slide by 28.9% and 24.8% respectively to 10.74 and 9.45 billion euros. Lastly, industrial sector companies posted aggregate full-year profits of 948 million, 39.8% less than in 2010.

Earnings by sector[1]: non-financial listed companies TABLE 1.3

	EBITDA[2]		EBIT[3]		Profit for the year	
Million euros	2010	2011	2010	2011	2010	2011
Energy	33,299	29,349	22,335	18,400	15,113	10,741
Industry	4,052	3,668	2,465	2,053	1,576	948
Retail and services	34,166	29,569	21,352	15,510	12,579	9,454
Construction and real estate	8,138	5,667	5,670	2,682	2,208	-53
Adjustments	-163	236	-50	345	34	355
Aggregate total	**79,492**	**68,489**	**51,772**	**38,990**	**31,510**	**21,445**

Source: CNMV. (1) Year to date. (2) Earnings before interest, taxes, depreciation and amortisation. (3) Earnings before interest and taxes.

Non-financial listed companies paid down their debt by a substantial margin, prolonging the trend of the previous year. Specifically, their combined debt fell by 6.7%

to 304.8 billion euros at the 2011 close, in contrast to the strong run-up of 2005-2009, when debt tallies practically doubled. Despite this aggregate reduction in indebtedness, financial leverage (the ratio between debt and net equity) ticked up from 1.4 to 1.5 between 2010 and 2011, due to a reduction on the equity side. The debt coverage ratio, measuring the years needed to repay existing debt assuming constant EBITDA, rose from 3.8 in 2010 to 4.4 in 2011, in tune with the stall in corporate earnings. And, finally, the interest coverage ratios of non-financial listed companies also deteriorated slightly in aggregate terms.

Falling stock prices

After rallying strongly in the opening months, Spanish equity markets entered a correction in the second quarter which intensified along with sovereign debt market tensions. Price falls were steepest in the third quarter as evidence gathered on the deteriorating outlook for the national economy.

The Ibex 35, in line with other European and Japanese indices, dropped 13.1% in the full-year period (-17.4% in 2010). The Ibex Small Cap and Ibex Medium Cap indices fell by 25.1% and 20.7% respectively, while the index of Latin American shares (Latibex) posted year-long losses exceeding 17%. The worst performing sectors were real estate (-42.4%), telecommunications (22.7%), basic materials (-22.5%) and banks (-18.3%), while energy and insurance companies managed annual average gains of 23.2% and 13.8% respectively.

Performance of Spanish stock market indices and sectors (%)

TABLE 1.4

Index	2007	2008	2009	2010	2011
Ibex 35	7.3	-39.4	29.8	-17.4	-13.1
Madrid	5.6	-40.6	27.2	-19.2	-14.6
Ibex Medium Cap	-10.4	-46.5	13.8	-5.6	-20.7
Ibex Small Cap	-5.4	-57.3	17.6	-18.3	-25.1
FTSE Latibex All-Share	57.8	-51.8	97.2	9.0	-23.3
FTSE Latibex Top	33.7	-44.7	79.3	9.7	-17.1
Sector[1]					
Oil and gas	1.8	-30.8	-20.1	0.3	23.2
Chemicals	-58.4	-67.8	3.4	-60.0	-15.7
Basic materials	-17.2	-45.4	23.1	-5.6	-22.5
Construction mat. and construction	-12.0	-51.0	25.5	-14.4	-13.0
Industrial goods and services	6.9	-41.9	29.3	-1.9	-7.6
Health	19.2	-45.0	17.7	-22.2	-0.8
Utilities	18.5	-31.0	-7.8	-14.3	-13.8
Banks	-4.5	-47.9	46.3	-32.3	-18.3
Insurance	-13.3	-25.0	19.8	-26.8	13.8
Real estate	-42.6	-58.6	-43.8	-53.2	-42.4
Financial services	-35.6	-44.3	20.8	12.8	3.5
Telecommunications and media	26.3	-31.4	23.5	-13.4	-22.7
Discretionary consumption	-7.7	-39.2	37.0	20.6	1.4
Basic consumption	6.9	-22.5	-8.4	15.8	-12.1

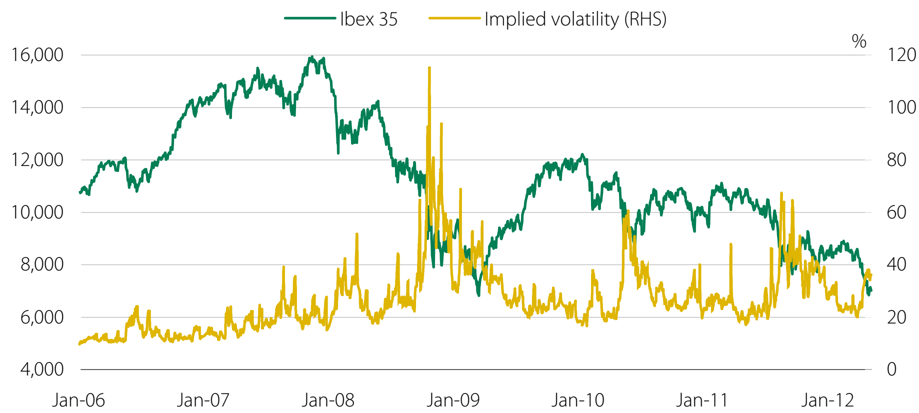
Source: Thomson Datastream. (1) Classification according to Thomson Datastream.

The Ibex 35 has posted heavy losses in the opening months of 2012. Other Spanish indices have experienced contrasting fortunes, with medium cap and Latibex indices in gains to date and the small cap index falling further. This underperformance of the Spanish equity market vs. other European bourses has at least partly to do with more rapidly deteriorating growth expectations for the Spanish economy.

Sovereign debt market tensions also left their mark on stock market volatility, which reached an August 2011 high of 65%. Indeed it was not until the closing weeks that readings settled back to a more manageable 20%. By end-April 2012, Ibex 35 volatility was running at a little over 35%. Equity market liquidity conditions, as measured by the bid/ask spread, deteriorated sharply from summer onwards after the improvement of the opening months. This was partly a result of the August ban on the short selling of financial sector shares.

Turnover on the Spanish stock exchange contracted by 10.6% in 2011 as far as 917 billion euros, in contrast to the 17% growth of the previous year. At least part of the trading dip in equity markets, which tended to carry over to the first months of 2012, owed to the short-selling restrictions in force. Finally, equity issuance in the year came to 17.30 billion euros, 8% more than in 2010, enlivened in part by the capital strengthening measures taken by Spanish financial institutions (see chapter 3, section 3).

Ibex 35 performance and implied volatility[1] FIGURE 1.16



Source: Thomson Datastream and MEFF. (1) Implied volatility published by MEFF for the derivate contract with the nearest expiry date.

1.3 Economic and financial outlook

In January 2012, the IMF slashed its global growth forecast for the year to 3.3%. This was a full 0.7 points down on the previous forecast, published in September 2011, and around a half point less than the provisional growth rate for 2011. The revise-down was most acute in the case of the euro area, for which forecasts were cut by 1.6 points to -0.5%. The emerging economies too had their growth projection cut back by 0.7 points to 5.4%. The release of more upbeat employment and activity indicators in main economic areas has allowed the world growth forecast to be nudged up slightly for this year (+0.2 p.p. to 3.5%) and 2013 (+0.1 p.p. to 4.1%). This improved macro outlook applies to both the majority of advanced economies and the emerging and developing nations.

This forecast scenario is, however, subject to considerable uncertainty. The downside risks primarily reside in the need to prolong the current fiscal consolidation drive, in Europe but also in the U.S. and Japan, through a period of meagre economic growth and private demand weakness; the danger of recurring feedback between episodes of turmoil on European debt markets and the funding conditions of the area's financial sector; and the possible near-term escalation of political risk among the oil-producing countries.

The latest projections for the Spanish economy say activity will contract in the interval of 1% (European Commission) to 1.8% (IMF). Spain, along with Italy, is forecast to perform the worst of all the larger-sized advanced economies, for reasons not only of the higher relative impact of the European debt crisis, but also certain home-grown issues like severe labour market weakness, the squeeze effect on growth of the ongoing fiscal adjustment process, and the high average indebtedness of Spanish households and businesses. The reforms launched on the employment, financial and fiscal fronts should ensure that the national economy returns to the growth path in the mid-term future, though admittedly they may detract from activity in the shorter term.

2 CNMV restrictions on short selling in the financial sector

In August 2011, the CNMV and other European supervisors, under the coordination of ESMA, announced a precautionary ban on the creation or increase of short positions in financial institution shares. This exceptional measure was taken at a time of heightened uncertainty and volatility in financial markets, coinciding with the resurgence of tensions in the sovereign debt markets of various euro-area countries. In this situation, many European banks suffered a sharp run-down in share prices, which in some cases could be partly due to the spread of rumours. To add to their difficulties, the deterioration in the capital adequacy ratios of numerous banks had hampered their access to financing, increasing the vulnerability of a systemically important sector which is, by nature, keenly sensitive to changes in investor sentiment. In these exceptionally complex circumstances, restrictions on short sales of financial shares were intended to preserve the stability and orderly functioning of the markets.

In this chapter, we take a closer look at some of the main implications of this extraordinary measure. We open with a discussion of the sudden deterioration in the macro-financial environment affecting several euro-area countries as of July last year, before going on to analyse the conditions in which a short-selling ban can help preserve financial stability. These conditions are essentially two: when the prices of shares do not reflect their fundamental value, due, for instance, to the widespread dissemination of rumours and false or misleading news; and when fluctuations in these prices threaten to undermine perceptions of financial institution solvency.

In order to approximate the ban's possible stabilising effect on markets, we offer empirical evidence that shows a positive causal relation between short positions and the credit risk indicators of medium-sized Spanish banks in the weeks preceding the ban, which subsequently reverted. This suggests that restricting short sales had a certain stabilising influence on these institutions which was nonetheless not repeated in the case of the country's large banks. The stabilising effect on medium-sized banks is reflected not only in their credit risk indicators but also in the volatility of their share prices, which died down significantly after the ban. It bears mention however that its mitigating impact on prices and volatility faded a few days after application.

Nonetheless, the stabilising power of short sale restrictions was at the cost of a significant and lasting decline in the liquidity of medium-sized bank shares and their stock exchange trading volumes. These results, which square with those of other European countries applying the ban, indicate that the possible benefits of this kind of measure in stabilising the financial conditions of certain banks must be weighed against significant losses in the quality of market functioning, which it would be wise not to underestimate.

For this reason, an exceptional measure like the one that concerns us is only justified if it is imposed temporarily and in extreme circumstances entailing serious risks for the stability of the financial system as a whole. Another key conclusion concerns the importance of international coordination in applying extraordinary measures of this kind, especially when taken in response to widespread macro-financial deterioration in an economic area like the European Union with a high degree of financial integration and multiple linkages between institutions and markets. In this context, coordination between the relevant authorities is not only vital to ensure the measure's effectiveness but is also the best means to preserve a level playing field for securities markets in the region.

2.1 The macro-financial conditions behind the ban

On 11 August 2011, ESMA published a communication calling for harmonised regulatory action on short selling in the European Union. At a time of heightened financial market volatility, ESMA chose to emphasise the requirements of the Market Abuse Directive referring to the prohibition of the dissemination of information that gives false or misleading signals as to financial instruments, including rumours and false or misleading news. At the same time, the European supervisory authority stressed the abusive nature of short selling when it forms part of a trading strategy that rests on the spread of false market rumours.[1] It was in those terms that ESMA justified its support to the national securities authorities of Belgium, Spain, Italy and France, all of whom that same day, and under the coordination of ESMA, announced the imminent entry of bans on the short selling of financial corporation shares.

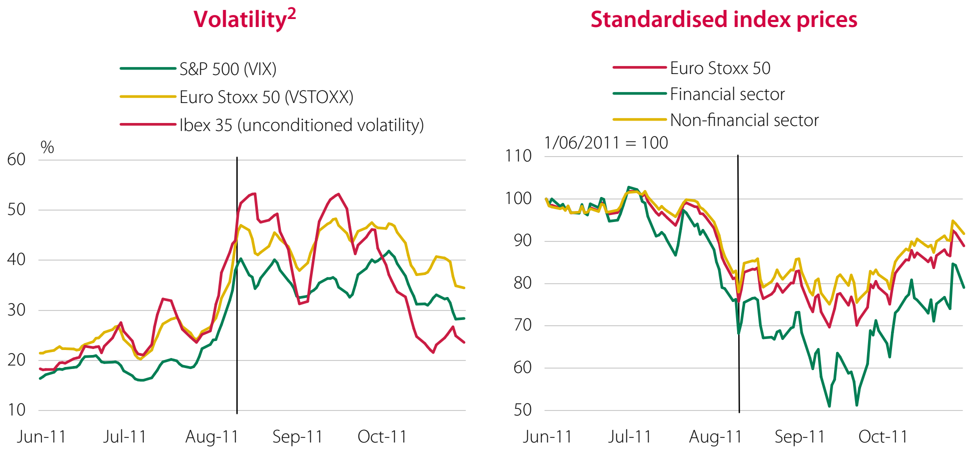
The CNMV, in its own communication of 11 August, characterised the extreme volatility then affecting European securities markets in general, and bank sector shares in particular, as posing a material threat to the stability and orderly functioning of markets. The upkeep of financial stability was thus the motive for its decision to temporarily prohibit the creation or increase of short positions in the shares or equity units of 16 corporations in the Spanish financial sector.[2]

This precautionary ban was framed by the stark deterioration in key financial stability indicators accumulating at global, European and domestic level since the third week of July 2011. The scale of the problem was especially apparent in the volatility surge that gripped the world's leading stock markets, with the Spanish market no less affected (see left-hand panel of figure 2.1). In euro-area markets, the upswing in volatility was accompanied by a price slump, with financial stocks among the hardest hit (see right-hand panel of figure 2.1).

1 The insistent rumours sweeping the markets in the days before the ESMA communication about the supposedly perilous state of various European banks had particularly targeted French institutions (see, for instance, the article "Panic in Paris", in *The Economist*, 20 August 2011). On 10 August, Société Générale lost as much as 20% of its stock exchange value at some points in trading before closing 15% down, while BNP Paribas and Crédit Agricole posted losses of 9.5% and 12% respectively. The Banque de France had to issue a communication the following day underscoring the financial soundness of these institutions (available at: http://www.banque-france.fr/uploads/tx_bdfgrandesdates/press-release-Noyer-11-08-2011.pdf).

2 The CNMV communication, with a full list of institutions affected by the ban, is available at http://www.cnmv.es

Performance of stock markets in the United States and the euro area[1] FIGURE 2.1



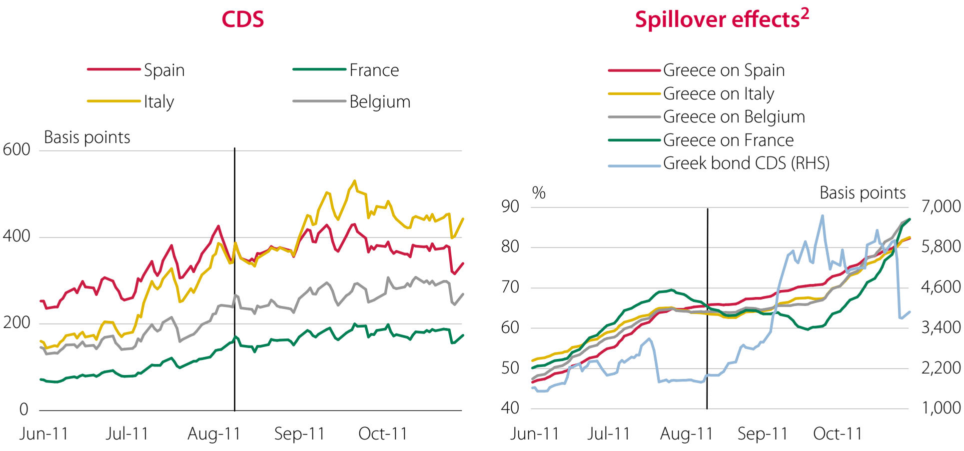
Source: CNMV and Thomson Datastream. Data to 31 October 2011. (1) The vertical line appearing in both panels marks the start date of the short-selling ban in Spain (12 August 2011). (2) Moving average of the last five trading days.

Although the volatility spike has more than one explanation, the direct cause would seem to lie with problems of fiscal management on both sides of the Atlantic. On the one hand, delays in securing political agreement to raise the U.S. federal debt ceiling fuelled the climate of uncertainty in financial markets worldwide, to the extent of earning the United States a downgrade in its sovereign credit rating. In European markets, the spark, quite possibly, was the failure of the European Council of 21 July to arrive at a clearly articulated and adequately funded agreement to guarantee the viability of Greece's public finances. In effect, just a few days later, Greece's sovereign risk indicators went spiralling to what were at that point record highs (see right-hand panel of figure 2.2).

As in earlier rounds of the European sovereign debt market crisis, the problems with Greece's public debt had a knock-on effect on other economies in the region. This time, however, the fallout was greater and more widely distributed. As of July 2011, EMU countries like Italy, Spain, Belgium and France, which had safely ridden out the previous crisis episodes, began to suffer growing pressure on their sovereign bonds, and had to watch as their sovereign CDS spreads widened to then record highs (see left-hand panel of figure 2.2).

Also the fact that several of the region's largest economies were pulled into the debt storm served to heighten perceptions of systemic risk. For instance, indicators of the spillover effects between European sovereign CDS identified Greece's sharply escalating spreads as a common risk factor for public debt markets (see right-hand panel of figure 2.2). And given the macroeconomic importance of sovereign debt markets in these increasingly complex times, this common factor can be presumed to reflect the systemic risk due to contagion from Greek debt. In the case of the four euro-area countries adopting the short-selling ban on 11 August, these indicators had been running at highs for most of the preceding week. According to the indicator, for instance, around 65% of non-predictable variations in Spain's CDS spreads could be ascribed to contemporaneous shocks in Greek credit risk, which was then spiralling dangerously. We can see then that increases in Greece's credit risk have considerable explanatory power for the rise in sovereign credit risk elsewhere in Europe, either through their direct effect on other countries (pure contagion) or because the Greek CDS was by then anticipating the effect of some other systemic risk factor.

Risk premiums and sovereign risk spillover[1] FIGURE 2.2



Source: CNMV and Thomson Datastream. Data to 31 October 2011. (1) The vertical line appearing in both panels marks the start date of the short-selling ban in Spain (12 August 2011). (2) The figure shows the percentage of variance in each country's CDS spreads that is not ascribable to historical information but to contemporaneous shocks in Greece's credit risk. The resulting contagion indicator is increasing with the intensity of the effect produced by specific shocks in Greek CDS spreads. The scale of contagion on a given day is calculated from available data for the 100 preceding days, with the series also filtered by 30-day moving averages (see the opening chapter in the CNMV Quarterly Bulletin for the first quarter of 2011 for more detailed methodological notes on the construction of these indices).

As has been apparent since the start of the current financial crisis, the close linkage, both implied and explicit, between the public and financial sectors has facilitated the rapid spread of public debt market tensions to key wholesale markets. One such case was the interbank market, which registered sharply widening spreads between the rates applied to secured and unsecured operations (see left-hand panel of figure 2.10). At the same time, the big U.S. money-market funds were unwinding their holdings in the European banking sector. Between May and August 2011 these schemes cut their exposure to European banks by 100 billion dollars, equating to 27% of their initial investment.[3]

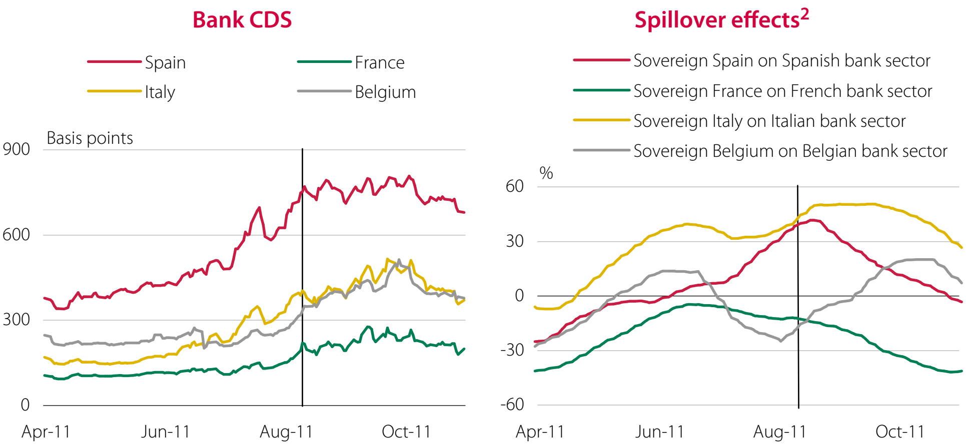
The intensification of the Greek crisis, and its strong contagion to other euro-area public debt markets, also pushed up the credit risk indicators of European banks (see left-hand panel of figure 2.3). This rise in financial sector risk coincided with a jump in indicators of spillover effects between sovereign and financial sector CDS in Italy and Spain, at the point when the two countries' sovereign risk indicators were deteriorating fastest in absolute terms (see right-hand panel of figure 2.3).

This last observation highlights two key aspects of the situation in which a series of European supervisory authorities opted for a short-selling ban. These are, firstly, the macroeconomic nature of the exacerbated risk and uncertainty afflicting much of Europe's financial sector and, secondly, the potential strength of the transmission channels between markets and financial institutions, of which relatively little is known. In fact, as we discuss below, there is a real possibility that

3 34% in the case of French banks, the European institutions most reliant on this source of financing. Most of the reduction took place as of July. In fact, between July and September, U.S. money market funds cut their exposure to French bank debt by more than half. See Fitch Ratings (2011), *U.S. Money Funds and European Banks: French Exposure Down*, Macro Credit Research.

agents' own expectations amplify transmission at times of high aggregate volatility, initiating vicious circles fuelled by negative perceptions that are out of step with fundamentals.

Bank sector risk premiums and spillover between sovereign and financial risk[1] FIGURE 2.3



Source: CNMV and Thomson Datastream. Data to 31 October 2011. (1) The vertical line appearing in both panels marks the start date of the short-selling ban in Spain (12 August 2011). (2) The figure shows the difference between the percentage change in bank sector CDS that is not attributable to their historical information but to contemporaneous shocks in sovereign credit risk, and the change in the opposite direction, i.e., that capturing the impact of financial shocks on sovereign credit risk. The indicator is positive when the impact of sovereign risk shocks on financial risk indicators is higher than vice versa. The bank sector CDS index of each country responds to the average of its three largest banks. The extent of spillover on a given date is calculated from available data for the 60 preceding days. In addition, the series is filtered with a 30-day moving average.

2.2 Financial stability and short selling: some conceptual considerations

In a context dominated by macroeconomic and financial uncertainties, an increase in short selling of financial stocks is only to be expected. There are in fact several channels through which an upturn in aggregate risk and market volatility can dull the outlook for present and future bank sector earnings. For example, a decline in value of government bond portfolios will typically damage banks' balance sheets given their hefty exposure to this type of asset. Also, the fact that, in the current crisis, many governments are lending direct or indirect support to the domestic financial sector through guarantees, liquidity lines, etc. may cause the transmission of sovereign debt market tensions to bank sector shares. Likewise, a worsening macroeconomic outlook, due, for instance, to tougher financing conditions throughout the economy, will tend to depress expectations for banks' net interest income and loan book quality, again bearing down on stock market quotes.

Under normal conditions, it cannot be denied that short sales can bolster the liquidity, efficiency and, even, stability of stock markets. On the one hand, by widening the range of opinions and investor positions, short sales enlarge the set of trades executable on the market (increased liquidity) and enrich the information content of prices (greater informational efficiency).[4] On the other, it is feasible that, without

4 D. Diamond and R. Verrecchia (1987), "Constraints on short-selling and asset price adjustment to private information", in *Journal of Financial Economics*, vol. 18, pp. 277-311, show in the context of a theoretical

short sales, the most pessimistic views on a share's future performance would take longer to be priced in, engendering a degree of overvaluation that could undermine market stability.[5]

But it is no less true that, in some circumstances, an increase in short positions in financial stocks could magnify any perturbations threatening the sector, in which case curtailing this kind of trade should, in theory, aid the stability of affected institutions. The relevant literature has identified two standard conditions in which a short-selling ban could be a useful tool to preserve financial stability. These two conditions are analysed in the following sections.[6]

Non-fundamental share price components. The first condition is that short sales are to some extent motivated by factors other than the fundamentals of the share in question. In fact, if short positions are driven solely by perceptions of a deterioration in the company's fundamentals, then to restrict them would equate to artificially boosting net demand for the shares, leading to an overvaluation potentially at odds with the greater goal of financial stability. Among the non-fundamental factors likeliest to support short selling, two in particular stand out; the self-interested spreading of rumours about the value of a share, and the possibility of multiple equilibria or self-fulfilling prophecies.

In the first case, the fact that a share's quotes are pricing in non-fundamental factors, maliciously introduced by the perpetrator of the rumour, impedes the company's correct valuation by the general body of investors. Under the overarching assumption of investor rationality, these agents will tend to reduce demand due to the spurious increase in the risk carried by the share and the perception that the source of the rumour may be engaging in abusive practices.[7]

The second case, turning on the possibility of multiple equilibria, will normally only matter if the market is operating under certain frictions, such that the price of a share does not depend solely on its fundamentals in the strictest sense, i.e., the present value of future cash flows. This might occur in less-liquid markets where prices include an illiquidity premium that need not always move in line with fundamentals. In effect, when a share lacks liquidity, the mere expectation of an increase in

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model, how restrictions on short selling can in fact drive certain investors out of the market to the detriment of market information and liquidity.

5 This argument was originally developed in articles by Miller (1977, "Risk, uncertainty, and divergence of opinion", in *Journal of Finance*, vol. 32, pp. 1151-1168) and Harrison and Kreps (1978, "Speculative investor behaviour in a stock market with heterogeneous expectations", *Quarterly Journal of Economics*, vol. 92, pp. 323-336). Subsequently, Abreu and Brunnermeier (2003, "Bubbles and crashes", in *Econometrica*, vol. 71, pp. 173-204), Hong and Stein (2003, "Differences of opinion, short-sales constraints, and market crashes", in *Review of Financial Studies*, vol. 16, pp. 487-525) and Scheinkman and Xiong (2003, "Overconfidence and speculative bubbles", in *Journal of Political Economy*, vol. 111, pp. 1183-1219) have also emphasised the role of short-selling constraints as a possible factor in share overvaluation.

6 The linkage between short selling of financial stocks and the stability of the institution has recently been explored from a theoretical standpoint by Liu (2010, *Predatory short-selling and self-fulfilling crises*, Working paper, Hong Kong University of Science and Technology) and Venter (2011 *Short-sale constraints and credit runs*, Working paper, Copenhagen Business School).

7 A. Shkilko, B. Van Ness and R. Van Ness (2009, *Aggressive short selling and price reversals*, Working paper, Wilfrid Laurier University, School of Business and Economics) analyse how short selling affects intraday liquidity, and conclude that short positions can have a destabilising effect on prices, which the authors attribute to possible manipulative behaviour. Further, I. Goldstein and A. Guembel (2008, "Manipulation and the allocation role of prices", in *Review of Economic Studies*, vol. 75, pp. 133-164) examine the links between market manipulation, short selling and suboptimal corporate investment decisions.

short positions may cause it to succumb to selling pressure on fears that liquidity will be further reduced.[8] And it can also happen that investors, prey to nerves or irrational impulses, initiate copy-cat movements that encourage panic and cause brusque corrections in the affected shares.

Correlation between a company's financial strength and share price. Assuming that the first-above condition obtains, i.e., that short selling of a share is not solely a result of deteriorating fundamentals, for this practice to threaten the company's stability the resulting price fall would have to significantly impair the issuer's financial strength. This condition will rarely be satisfied in normal circumstances, since, for instance, mild fluctuations in quotes do not normally undermine perceptions of the issuer's credit risk.[9] However, at times of high volatility and uncertainty, it could be that sharp falls in a corporation's market value may worsen its funding conditions, even in non-equity markets. This might happen, for instance, when lenders read a share price reversal as implying a deterioration in the issuer's solvency and react by imposing tougher loan conditions or, in an extreme case, withdrawing their support.

We can deduce then that short-selling restrictions may be justified in the above two cases, especially where the banking sector is concerned, in view of its systemic importance for the economy and heavy and recurrent calls on external funding.[10]

It is also clear, however, that there is no immediate, infallible way of knowing that the conditions have been triggered for a short-selling ban on financial stocks as the best available means to conserve financial stability. In some cases, an exceptional upswing in market volatility, with sharp price corrections, may indicate an attempt at manipulation, and the presence of misleading rumours. In others, abnormally high volatility may reflect movements that are exclusively due to shifts in investor expectations, rational or otherwise. But telling these situations apart from fundamentally-driven share price falls is arduous in practice. And even with hindsight, it is not usually possible to weigh the exact costs and benefits of a short sales ban against the permissive alternative.[11]

Bearing these constraints in mind, in the next two sections we offer various estimates of the ban's impact on certain credit risk indicators of affected Spanish banks, as a proxy for financial strength (section 3), and its effects on stock market operating parameters like liquidity, volatility and the information efficiency of prices (section 4).

8 See Brunnermeier, M. and Pedersen, L. (2005), "Predatory Trading", in *Journal of Finance*, vol. 60 (4), pp. 1825-1863.

9 For example, the rating agency Standard & Poor's (2008, *How stock prices can affect an issuer's credit rating*, available from: http://www.standardandpoors.com) assures that, although it takes note of share price movements when evaluating an issuer's credit risk, they are not a determining factor in the preparation of ratings.

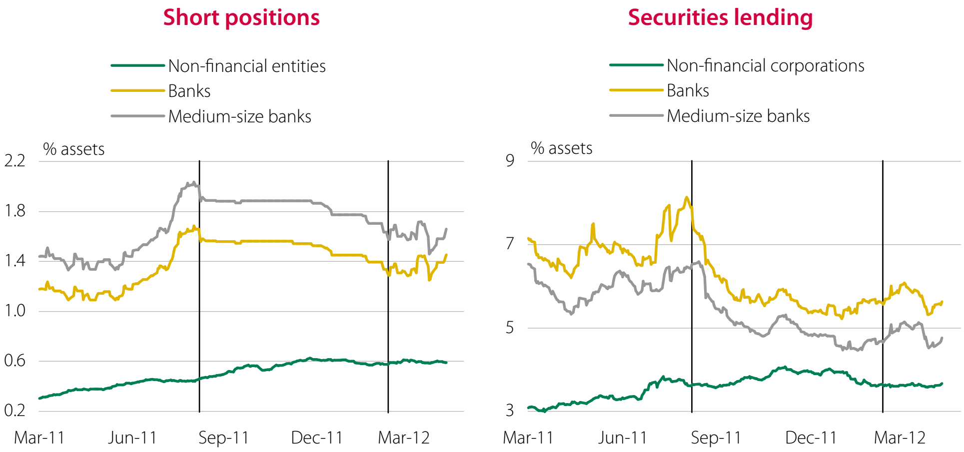
10 On the same subject, Standard & Poor's contends that there are companies whose financial positions are especially sensitive to share prices because they are more reliant on investor confidence. This would be the case of financial institutions and others that have to regularly tap financial markets.

11 Intuitively, to conduct this kind of comparative testing we have to model counterfactual scenarios to the chosen course of action that are reliable enough to allow a valid contrast between the results of the real and hypothetical situations. In practice, however, it is not usually feasible to construct such scenarios in real time.

2.3 Effects of the ban on the credit risk of financial institutions

The left-hand panel of figure 2.4 shows the short position data notified to the CNMV,[12] expressed as an average (non-weighted) percentage of the issued share capital of companies traded on the Spanish continuous market (SIBE) in each of the following three groups: "non-financial corporations", "medium-sized banks" and "banking sector", in which the latter encompasses the preceding group plus the country's two largest banks by market capitalisation.[13] As we can see from the figures, short positions in financial shares began to build up in May 2011 then accelerated sharply one month later, peaking just before the ban was imposed. A similar increase was observable in securities lending (see right-hand panel of figure 2.4), which tends to bear a positive correlation with short sale volumes[14] for reason of its support role in this trading modality.[15] Both indicators trended lower while the ban was in place, and have registered only small and short-lived increases since it was lifted, in February 2012.

Short positions and securities lending in the Spanish market[1,2] FIGURE 2.4



Source: CNMV. Data to 13 April 2012. (1) The vertical lines appearing in both panels mark the start and finish dates of the short-selling ban in Spain (12 August 2011 and 16 February 2012 respectively). (2) The "Banking sector" category refers to banks traded on the Spanish continuous market (SIBE), and the "Medium-sized banks" category to all the foregoing except BBVA and Santander.

Further to the above hypothesis about the stabilising power of a ban on short sales of financial stocks, we present the results of various quantitative exercises designed to identify just this effect. To this end, we take the CDS of the banks affected by the

12 Pursuant to the CNMV Executive Committee agreement of 27 May 2010 adopting the short-selling notification and disclosure regime proposed by the CESR in March that year, in particular the requirement to notify the supervisor of all individual short positions exceeding 0.2% of issued share capital (or equity units) and to report when a previously disclosed position falls below this threshold.

13 Excluded from the sample are short positions in the shares of non-banking financial corporations affected by the ban (Grupo Catalana Occidente, Mapfre, Bolsas y Mercados Españoles and Renta 4 Servicios de Inversión) and those established in the equity units (*cuotas participativas*) of Caja de Ahorros del Mediterráneo. This is to ensure like-for-like comparison with the analysis that follows, which is confined to banking institutions operating as such when the prohibition came into force.

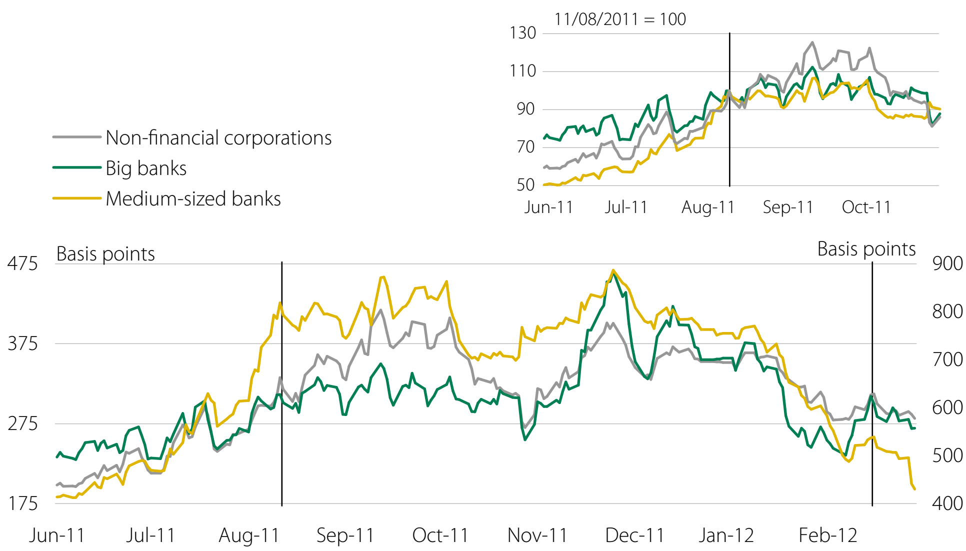
14 See Saffi, P.A.C. and Sigurdsson, K. (2011). "Price efficiency and short-selling", in *Review of Financial Studies*, vol. 24 (3), pp. 821-852.

15 Uncovered short positions, in which the seller has not ensured the availability of the securities, are prohibited in Spain.

ban as a measure of their credit risk. The idea is to examine how the prohibition may have affected their trading parameters relative to the pre-ban period and the CDS of other listed Spanish companies.

The first thing that strikes us about the performance of CDS around the start date of the ban (see figure 2.5) is that the average spreads of Spanish medium-sized banks eased appreciably after several weeks of escalation. In effect, although their CDS continued trading higher than those of larger banks and non-financial listed companies, the movement was clearly downward from the ban onwards. Indeed the CDS spreads of both sets of financial institutions headed lower in the first few weeks, while those of non-financial corporations went on accelerating for some weeks more (see figure 2.5).

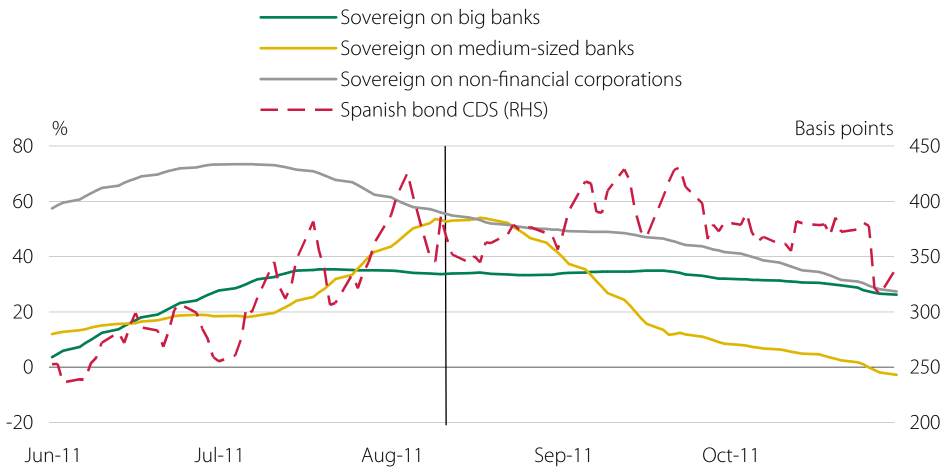
Risk premiums of Spanish listed companies[1] FIGURE 2.5



Source: CNMV and Thomson Datastream. Data to 29 February 2012. (1) The vertical lines appearing in both panels mark the start and finish dates of the short-selling ban in Spain (12 August 2011 and 16 February 2012 respectively).

Indicators of spillover effects between the CDS of Spanish government bonds and those of our three groups of corporations elucidate this incremental easing of medium-sized bank CDS in the wake of the ban (see figure 2.6). We can see that while Spain's sovereign CDS headed higher, with some interruptions, until the month of November, spillover from sovereign bonds to medium-sized bank credit risk wore off appreciably once restrictions began. Spillover, further, had been growing in intensity since approximately one month before, driving the CDS of medium-sized banks sharply higher in the intervening period (see figure 2.5). Conversely, the spillover from government bonds to the large banks group, which had likewise intensified a few weeks earlier, appeared unaffected by the ban. And the same was true of the group of non-financial corporations.

Sovereign risk spillover in Spain[1,2] FIGURE 2.6



Source: Arce and Mayordomo (2012, *Short-sales constraints and financial stability: Evidence from the Spanish 2011-2012 ban*, Working paper, CNMV, mimeo). Data to 31 October 2011. (1) For a definition of this variable, see the second footnote to figure 2.3. (2) The vertical line marks the date the ban was introduced in Spain (12 August 2011).

Taken together, these results square with some of the arguments outlined in preceding sections. Specifically, the aggregate risks priced into sovereign CDS seem to have acted as a magnifying factor for the credit risk indicators of Spanish financial institutions from July 2011 onwards, especially in the case of the medium-sized banks. But with the entry of the short-selling ban on 11 August, we perceive a pronounced uncoupling between the two sets of risk. Finally, the fact that the spreads of companies with shares unaffected by the ban fared worse in this period suggests the measure may indeed have had a moderating impact on perceptions of bank sector risk.

To check these results and tentative hypotheses, we constructed an empirical model where the above variables are joined by other potential explanatory factors for the credit risk of each group of corporations besides sovereign risk and the timing of the ban. Specifically, we consider the effect of short sale volumes on the credit risk of all three groups both before and after the ban was enacted. In the light of our earlier results about its differential impact, the empirical model also factors corporation size as a possible additional explanatory factor.

It bears mention that a few days before the ban, the European Central Bank (ECB) issued a communication welcoming the new measures and reforms announced by the Italian and Spanish governments. In the same text, it also undertook to actively implement its Securities Markets Programme (SMP).[16] Under this programme, designed to support the orderly functioning of key financial markets, the ECB is authorised to make purchases of euro-area sovereign bonds in the secondary market. This declaration was read by the markets as a sign that the monetary authority was prepared to buy the two countries' debt instruments in the framework of the SMP, and may have had an incremental calming effect on the risk of financial versus non-financial corporations in view of the formers' greater exposure to Spanish public debt.

16 Available at: http://www.ecb.int/press/pr/date/2011/html/pr110807.en.html

Effect of short positions on the CDS of Spanish listed companies around the time of the ban[1]

TABLE 2.1

	Dependent variable: ΔCDS (t)	
	Before the ban	After the ban
Coefficients[2]		
Increase in CDS (t-1)	(–)	(–)
Stock returns	(–)	(–)
Stock returns (t-1)	(–)	(–)
Squared stock returns (volatility)	(+)	(+)
Increase in VIX	(+)	(+)
Increase in Spanish sovereign CDS	(+)	(+)
Notification of short positions	(+)	(+)
Notification of short positions relative to the share capital of non-financial corporations one month before the ban	(+)	
Notification of short positions relative to the share capital of medium-sized banks one month before the ban	(+)	
Notification of short positions relative to the share capital of large banks one month before the ban	(–)	
Notification of short positions relative to the share capital of non-financial corporations one month after the ban		(+)
Notification of short positions relative to the share capital of medium-sized banks one month after the ban		(+)
Notification of short positions relative to the share capital of large banks one month after the ban		(+)
Aggregate bond purchases by the ECB since 8 August 2011	(–)	(–)
Constant	(+)	(+)
Memorandum items:		
No. of observations	3,997	3,997
No. of companies	18	18

Source: Arce and Mayordomo (2012). (1) The analysis was conducted on listed Spanish financial and non-financial corporations for which CDS data are available. (2) The symbols (+) and (-) indicate whether the coefficient of the variable in question has a positive or negative effect on the dependent variable. Where this effect is statistically significant at the level of 5%, the variable appears shadded. Coefficients are obtained from estimates of the specified models with fixed effects.

The sample period includes an observation window corresponding to the month preceding the ban and another with data for the month after. Table 2.1 shows the quantitative results our estimates, from which we can single out the following:

– In the month before the ban, the volume of short positions in medium-sized banks acts as a significant determinant of changes in their average CDS, such that the greater the volume the higher the level of this credit risk indicator. This effect, however, is not significant (in fact, is negative) for non-financial corporations and large banks. For these two groups, the pre-ban amount of short positions in their share capital does not seem to cause significant changes in their CDS.

– Following the entry of the ban, as we might expect, short positions in financial corporations of any size lose explanatory power over movements in their CDS.

From this point, however, short positions in the share capital of non-financial corporations acquire a determining influence, with a positive sign, on their credit risk indicators. This result suggests that, post-ban, the destabilising impact of short sales (via CDS) on medium-sized financial institutions may have been shifted onto non-financial corporations. Note, however, that this last effect is relatively short-lived.[17]

– In addition to the above variables, which seek to capture the direct effect of the ban, our estimates factor other variables which, if our previous arguments stand, may also impact listed company CDS. In the case of all these control variables, the direction of the effect is as expected. In particular, changes in sovereign CDS spreads, share price volatility and the VIX index have a significant positive effect on average changes in listed company CDS, albeit rather more weakly in the case of the VIX index, which we include as a global indicator of market volatility. Conversely, increases in firms' stock returns on both the date itself and the previous trading session, have a significant negative effect on CDS. This testifies to the higher average information content of share prices regarding company soundness in a sample period as convulsive as the one in question. Note also the negative effect that emanates from lagged changes in CDS spreads, whose scale, extremely low in absolute terms, reveals the persistent nature of this variable's deviations from its long-term average. Finally, the ECB's secondary market purchases of government bonds, as intuitively expected, have a significant negative effect on CDS.

We can see then that the results of this quantitative exercise endorse and, in some cases, refine and supplement the main arguments and observations put forward earlier. Specifically, the evidence supports the presence of a singular effect on the perceived credit risk of medium-sized Spanish banks in response to the aggregate macro-financial turmoil unleashed in July 2011. At the same time, results show a differential impact of short sales on the credit risk of non-financial corporations immediately before and after restrictions were imposed. This last effect demonstrates that an extraordinary ban on the short selling of certain shares, like the one that concerns us here, may impact on remaining issuers not subject to the prohibition, especially at a time when a large proportion of each company's credit risk traces to factors of a macroeconomic nature.

2.4 Stock markets under the ban

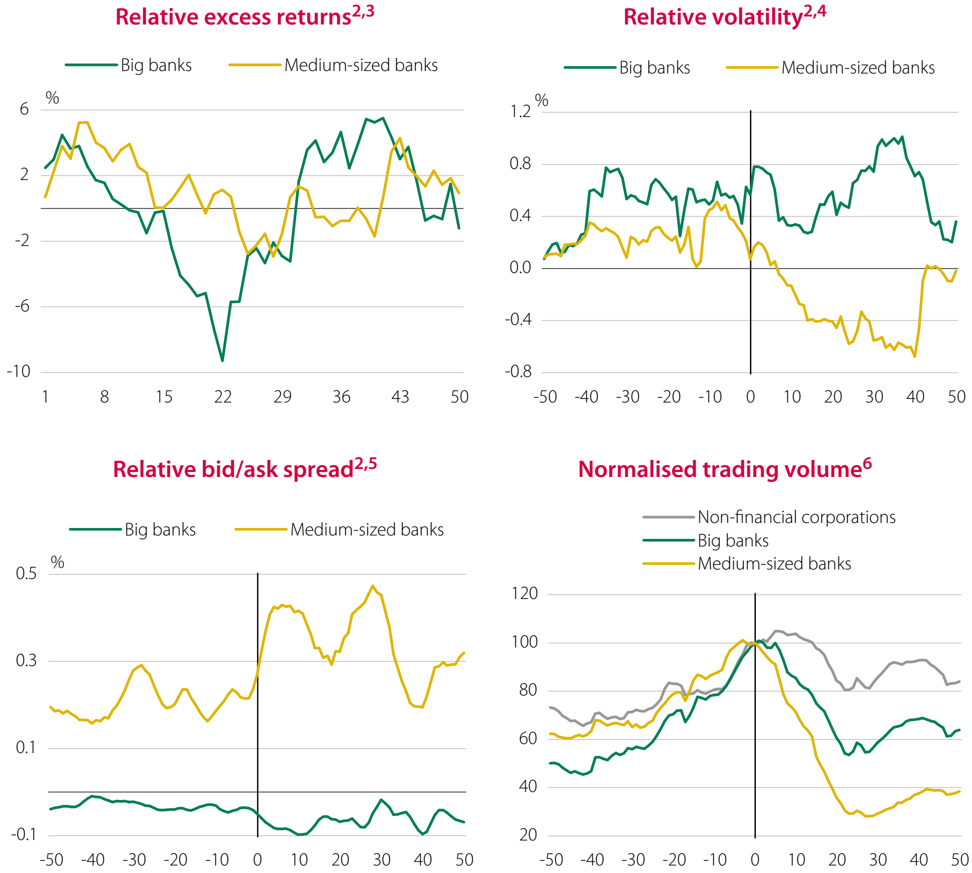
Any reliable assessment of the consequences of a short-selling ban must consider not only its effects on a sector like banking, so vital to an economy's macroeconomic stability, but also its constraints and possible adverse effects in other domains. In fact, numerous empirical studies have documented the adverse consequences such a ban can have on the quality of stock market operation.[18]

17 In estimates based on data windows of two and three months before and after the ban, the value of the coefficient corresponding to short positions in non-financial corporations decreases considerably and is no longer statistically significant.

18 See Ispierto, A. and Losada, R. (2010, "The effects of restrictions on short selling in equity markets: some recent results", in the *CNMV Quarterly Bulletin* for the third quarter of 2010, available at: http://www.cnmv.es/DocPortal/Publicaciones/Boletin/2010BIIIenglish_weben.pdf) for an in-depth review of the recent academic literature on the effects of short-selling bans in this domain.

In order to identify the possible effects of the ban imposed on 11 August 2011 on the main variables of the Spanish stock market, we next track the progress of liquidity, trading volume, volatility and share prices over an extensive period (50 trading days) centring on the time the ban was applied. The main results of this analysis are displayed in the panels of figure 2.7.

Liquidity, trading volume, volatility and share price of Spanish financial stocks[1] FIGURE 2.7



Source: Arce and Mayordomo (2012). (1) The X-axis is a time scale in which 0 marks the start date of the prohibition (2) Versus Ibex 35 companies not subject to the ban. (3) The relative excess return of each group on each date is stated as the average of the cumulative spread to that date in the daily returns of component corporations versus the average return of Ibex 35 shares. (4) The volatility of each group on each date is calculated by reference to the average standard deviation of the share returns of component corporations in the preceding 22 trading days. (5) Bid/ask spread is calculated for each group as the average ratio of the bid/ask spreads of the share prices of component corporations to the average bid/ask spread of the group. Series are also filtered with the moving average of the last five trading sessions. (6) This indicator represents the cumulative sum of the 22 previous average daily trading volumes of the shares of corporations in each group as normalised to 100 at the time of the ban.

One apparent effect of the ban was the outperformance of financial corporation shares versus those of non-financial Ibex 35 members. Among the financial group, however, prices reacted differently according to the size of the corporation. So whilst the apparent boost effect on share prices was short-lived in the case of larger banks, it lasted significantly longer among the medium-sized contingent (see top left panel of figure 2.7). In any case, the positive effect was a temporary one and had faded considerably, even among medium-sized institutions, two weeks from the start of the ban.

This disparity between large and medium-sized banks in terms of the share boost derived from the short-selling ban carried over to their volatility. Specifically, while the average relative volatility of the two big banking groups was apparently unaffected, that of medium-sized banks died down considerably. As we can see from the top right panel of figure 2.7, the short-selling ban had a strongly moderating impact on the price fluctuations of medium bank shares, whose volatility readings dropped below those of the group of Ibex 35 companies unaffected by the measure. Conversely, the share price volatility of the largest cap banks showed little variation with respect to the relatively high levels previously experienced.

One of the most visible consequences of the ban was the worsening liquidity conditions of medium-sized banks. Specifically, the bid/ask spreads of corporations in this group widened persistently after the onset of the ban compared to those of non-financial Ibex 35 members (see lower left panel of figure 2.7). This decrease in liquidity was also reflected in a slump in these stocks' trading volumes which ran to nearly 70% in the weeks following the ban (see lower right panel of figure 2.7). The maximum drop in trading volumes from immediate pre-ban levels was just over 40% in the case of the banking majors and 20% among non-financial corporations. In tune with their deteriorating liquidity and trading conditions, the speed of the price adjustment of medium-sized bank stocks was curtailed following the entry of the ban (see table 2.2). This slower place of stock price adjustment to new information implies an extracost of the prohibition in terms of the efficiency of price discovery. In the case of the big banks and non-financial corporations, the apparent loss of price information efficiency was considerably less severe.

Speed of share price adjustment to the entry and lifting of the short-selling ban[1] TABLE 2.2

Percentage points	Entry	Lifting
Large banks	1.5	1.0
Medium-sized banks	12.0	-5.7
Non-financial corporations	0.1	-10.4

Source: Arce and Mayordomo (2012). (1) Analysis conducted on Spanish companies listed on the Ibex 35. The speed of share price adjustment for each type of company is calculated as the average difference (in percentage terms) in the fifty trading days before and after the start and before and after the end of the ban between the first-order correlations of the component of daily share returns of the type that is not explained by overall market performance. A positive value indicates deterioration in the price discovery process in each category.

The consequences found for the ban on short selling in the Spanish market are generally consistent with the evidence compiled from similar episodes elsewhere. For example, in a recent study of the effects of the short-selling restrictions imposed by various supervisors after September 2008, Beber and Pagano[19] report a marked deterioration in the liquidity conditions of the affected shares, which was most severe among smaller cap companies.[20] Meantime, Boehmer et al.,[21] in a similar study of U.S. shares, report a deterioration in liquidity as manifest in widening bid/ask

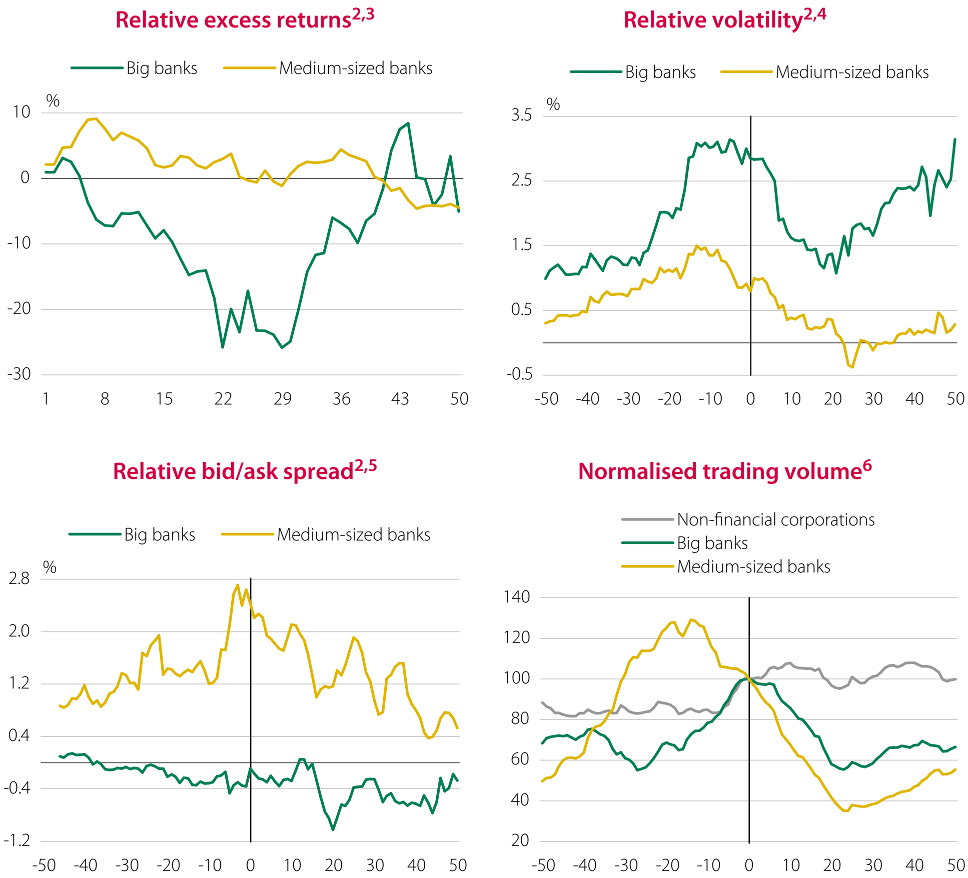
19 Beber, A. and Pagano, M. (2011). "Short-selling bans around the world: evidence from the 2007-09 crisis", in *Journal of Finance* (forthcoming publication).

20 After analysing data from over one hundred countries, Charoenrook and Daouk (2005, *Market-wide short-selling restrictions*, Working paper, Vanderbilt University and Cornell University) also concluded that short sales significantly favour market liquidity.

21 Boehmer, E., Jones, C. and Zhang, X. (2011). *Shackling Short Sellers: The 2008 Shorting Ban*. TBC Electronic copy available at: http://ssrn.com/abstract=1412844

spreads. Beber and Pagano also find evidence that short-selling constraints slow the speed of price adjustment to the release of new information. Other empirical studies, like those of Boehmer and Wu,[22] Saffi and Sigurdsson[23] or Bris et al.[24] conclude further that short sales improve the information efficiency of prices and facilitate their more rapid adjustment.

Liquidity, trading volume, volatility and share price of Italian financial stocks[1] FIGURE 2.8



Source: Arce and Mayordomo (2012). (1) The X-axis is a time scale in which 0 marks the start date of the prohibition (2) Versus FTSE Mib companies not subject to the ban. (3) See note 3 of figure 2.7. (4) See note 4 of figure 2.7. (5) See note 5 of figure 2.7. (6) See note 6 of figure 2.7.

The experience of the Spanish market throughout the episode analysed is comparable in most respects to that of the other two large countries (Italy and France) imposing a ban.[25] Figures 2.8 and 2.9 depict the previous analyses as applied to the Italian and French stock markets respectively. We can see that in both cases the drain in liquidity and trading volumes was greater among medium-sized than larger banks.[26]

22 Boehmer, E. and Wu, J. (2010). *Short Selling and the Price Discovery Process*. Working paper, Texas A&M University.

23 Saffi, P. and Sigurdsson, K. (2011). "Price Efficiency and Short Selling", in *Review of Financial Studies*, vol. 24 (3), pp. 821-852.

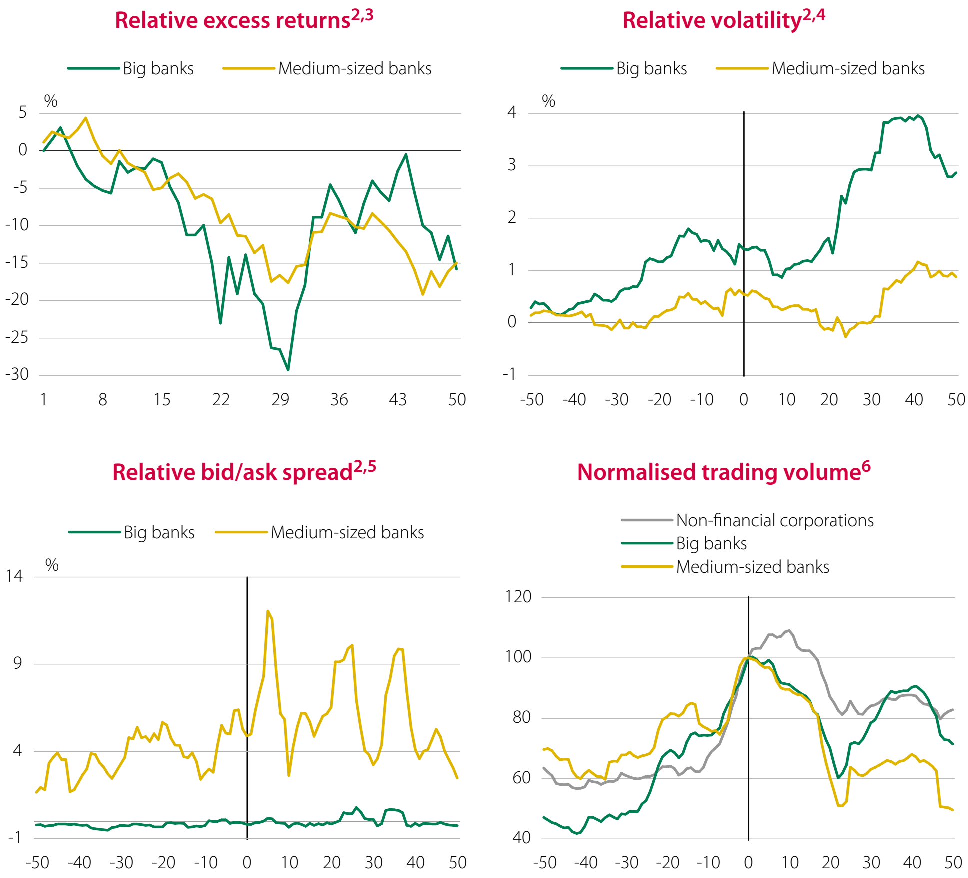
24 Bris, A., Goetzmann, W. and Zhang, X. (2007). "Efficiency and the Bear: Short Sales and Markets Around the World", in *Journal of Finance*, vol. 62 (3), pp. 1029-1079.

25 The following analysis does not include the Belgian market, where the ban only affected two institutions.

26 Note when interpreting these results that the French banks in the medium-sized group are significantly larger on average than their counterparts in the other two countries.

Indeed in all three countries, the stocks subject to the ban endured a significant and lasting contraction in trading volumes vs. remaining members of their respective capitalisation-weighted indices. And we can also detect qualitative similarities in the relative share price performance of both groups of financial institutions, with the ban ushering in an outperformance phase for bank sector stocks that lasted several trading days - rather longer in the case of smaller banks.

Liquidity, trading volume, volatility and share price of French financial stocks[1] FIGURE 2.9



Source: Arce and Mayordomo (2012). (1) The X-axis is a time scale in which 0 marks the start date of the prohibition (2) Versus Cac 40 companies not subject to the ban. (3) See note 3 of figure 2.7. (4) See note 4 of figure 2.7. (5) See note 5 of figure 2.7. (6) See note 6 of figure 2.7.

As to price volatility, though the shares of medium-sized banks tended to fluctuate less over the weeks following the ban, this stability plus was far more noticeable in Spain than either Italy or France. In fact, the volatility of Spanish medium-sized banks dipped below that of non-financial Ibex 35 members.

Taken together, our analyses here and in section 2.3 show that in Spain the short-selling ban had an asymmetric impact on banks according to their size. In general, it seems to have served medium-sized banks significantly better in terms of mitigating the adverse effects of the extreme aggregate uncertainty of the preceding weeks. This greater relative effectiveness is patent in the ban's moderating influence on perceived credit risk, as measured via CDS and the level and volatility of share prices, which in both cases was more intense among medium-sized banks. On the downside, the impairment of stock exchange efficiency entailed by this exceptional measure was also more marked in the case of medium-sized banks, whose shares suffered more deterioration in their liquidity, trading volumes and the information content of prices.

Cost effectiveness is a vital indicator when assessing the wisdom of implementing a precautionary measure like a short-selling ban. Reliably weighting all possible costs and benefits is, logically, an extremely complex task, although the experience of the recent case allows a number of conclusions that merit consideration.

In the first place, this restrictive measure appears to have worked its principal benefits - stabilisation of medium-sized banks' share prices and CDS - instantaneously, with the effects then wearing off with the passage of time. This is the main message that emerges from our analysis of the ban's impact on volatility and share prices, as shown in the upper panels of figure 2.7. Conversely, its harmful effects on market operation would appear to be longer lasting, to judge from liquidity, trading volume and price information efficiency indicators. For these reasons, short-selling constraints should be seen as a temporary measure to be kept in place for the shortest time possible.

Secondly, whereas it is hard to objectively determine the right conditions for implementing measures of this type and, especially, to confirm the existence of non-fundamental components in share prices, the negative market impact of a short-selling ban is practically beyond doubt. Its use should accordingly be reserved for extreme situations, of heightened financial instability, when the market is likelier to succumb to rumours, and inaction could have serious consequences for the stability of the financial system as a whole. Only in scenarios of this kind can we reasonably assume that the positive effects of a short-selling ban will outweigh the drawbacks.

Finally, the systemic nature of the episode of extreme volatility during which the ban was decided, in August 2011, underscores the importance of international coordination for measures of this kind, especially in a region like the EU with a high degree of financial market integration. As remarked in the first section of this chapter, the turmoil of early summer 2011 had its roots in a common risk factor linked to the sovereign debt markets of various euro-area countries which both directly and indirectly threatened the stability of a large part of Europe's financial sector. And in a scenario like this, it can occur that investors pay more heed to aggregate factors than they do to the idiosyncrasies of each individual bank. This is understandable because at times of heightened instability there is more chance of contagion from one financial institution to another, given the close links they generally maintain, both direct (for instance, via interbank lending) and indirect (through, for instance, their simultaneous presence in the same asset markets).

It is clear then that a short-selling ban in financial stocks will be more effective if the supervisory authorities deploy it in coordinated fashion. In order to provide a common framework for short sales in Europe, the EU recently approved a new regulation which, among other matters, lays down common notification and disclosure rules for short positions, and criteria for the application of short-selling restrictions (see exhibit 2.1). At the same time, the not insubstantial drawbacks such measures entail for market operation urges their close coordination across all jurisdictions to ensure a level playing field for EU securities markets.

Approval of the EU Regulation on short selling

EXHIBIT 2.1

Regulation 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps came onto the EU statute book on 14 March 2012. Its text lays down a common regulatory framework with regard to short selling and credit default swaps (CDS), seeking to ensure greater coordination and consistency between Member States where measures have to be taken in exceptional circumstances. It is also explicit about the need for close harmonisation between Member States in contrast to the disparate reactions of national authorities at the height of the financial crisis in September 2008. The new Regulation sets out a series of transparency requirements relative to short positions in shares and European sovereign debt, while restricting uncovered short selling and regulating the powers of intervention of the competent authorities in the event of adverse developments.

On the first score, investors are obliged to notify the authorities of any net short position exceeding 0.2% of the issued share capital of the company concerned and each 0.1% above that. Further, the threshold for public disclosure of net short positions is set at 0.5%, and each 0.1% above that, so the information is available to all market participants.[1] In the case of sovereign debt, net short positions need only be notified to the competent authority, with no obligation to move to their public disclosure. The thresholds triggering such notification requirements will be set by the European Commission.[2]

Regarding the subsequent delivery of securities in short sale transactions, the Regulation defines the cases where transfers are deemed to be covered by a securities lending agreement or some other suitable arrangement that ensures delivery to the buyer, with certain exceptions specified for market-making and primary market activities. In order to reduce the incidence of delivery failure, the Regulation requires the central counterparties providing clearing services for shares to ensure that securities are delivered within four business days after the day on which settlement is due. Otherwise procedures are triggered for the buy-in of the shares, failing which a monetary amount must be paid to the buyer. The central counterparty will charge the costs of these procedures onto the agent responsible for the settlement failure, who will also incur further charges by way of deterrent.

The Regulation also contemplates a series of exceptional measures including the prohibition of short sales of shares and CDS relating to sovereign debt issuers, whether in the spot market or under derivative contracts. Specifically, it stipulates that in the case of adverse developments which constitute a serious threat to financial stability or to market confidence in a Member State, competent authorities shall have the power to impose temporary restrictions on short selling or credit default swap transactions. Such measures will be valid for an initial period of not more than three months, and may be renewed for further periods not exceeding three months if the grounds for the restrictions continue to apply. Also, a competent authority may prohibit legal or natural persons from entering into short sales of a given share for a period not extending beyond the end of the trading day on which the measure was applied. This decision may be taken when the price of a financial instrument has fallen significantly - by 10% or more in the case of a liquid share,[3] and for illiquid shares[4] and CDS an amount to be specified by the Commission, which may also adjust the 10% threshold in the light of developments in financial markets.

The Regulation, finally, not only specifies the powers to be exercised in this respect by the competent national authorities, but also empowers ESMA to arbitrate between them should discrepancies arise in the application of these measures, and even to intervene directly in cases where the threat to financial stability has cross-border implications and the competent authorities have failed either to act or to adequately address the problem.

This Regulation will come into force on 1 November 2012.

1 The thresholds set in this Regulation coincide with those envisaged in the short-selling disclosure model published by the CESR in March 2010 (*Model for a Pan-European Short Selling Disclosure Regime*, CESR/10-088), and which the CNMV adopted as of June that year.
2 On 19 April 2012, ESMA published the report *ESMA's technical advice on possible Delegated Acts concerning the regulation on short selling and certain aspects of credit default swaps ((EC) No 236/2012)*, in which it proposed that the notification threshold for short positions in the sovereign debt of Member States should be set at 0.1% of the outstanding debt for issuers with below 500 billion euros in outstanding debt, and 0.5% if the outstanding balance is higher, and every 0.05% and 0.25% above those levels respectively.
3 The definitions of liquid and illiquid shares follow those figuring in Regulation 1287/2006 of the European Commission.
4 In the case of illiquid shares, ESMA recommends in the report referred to in note 2 above that the threshold for considering a price fall significant should be 10% if the share forms part of the Member State's benchmark index (in Spain, the Ibex 35) and 20% for non-index shares.

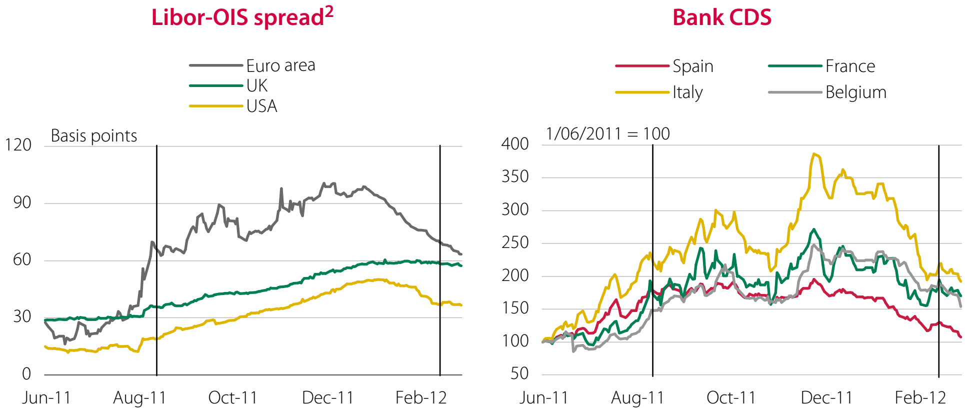
2.5 The lifting of the ban

The French and Belgian authorities withdrew their short-selling restrictions with effect from 13 February 2012, with the CNMV and the Italian supervisory authority (CONSOB) following suit a few days later, on 15 and 24 February respectively. Allowing for procedural differences between the four countries, which ruled out full synchronisation, we can say that the lifting of the ban went ahead in the same coordinated manner as its activation months before.

The decision to end the ban came at a time when key stability indicators in the relevant financial markets were pointing the way of a gradual normalisation. This period of relative calm, which followed a fresh outbreak of tensions around Greek default risk in November 2011, began with the ECB's announcement on December 8 of two major loan operations with a three-year maturity. This exceptional measure allayed doubts concerning European banks' ability to refinance their medium- and long-term debt. As we can see from figure 10, these improved prospects were immediately priced into money-market spreads (left-hand panel), which began to reverse the uptrend initiated in July last year, and financial institution CDS, which also headed lower (see right-hand panel). Stock markets too gave the measure a bullish welcome in the shape of lower volatility and a price rally in financial shares (see left- and right-hand panels of figure 2.11 respectively).

Interbank markets and bank credit risk[1]

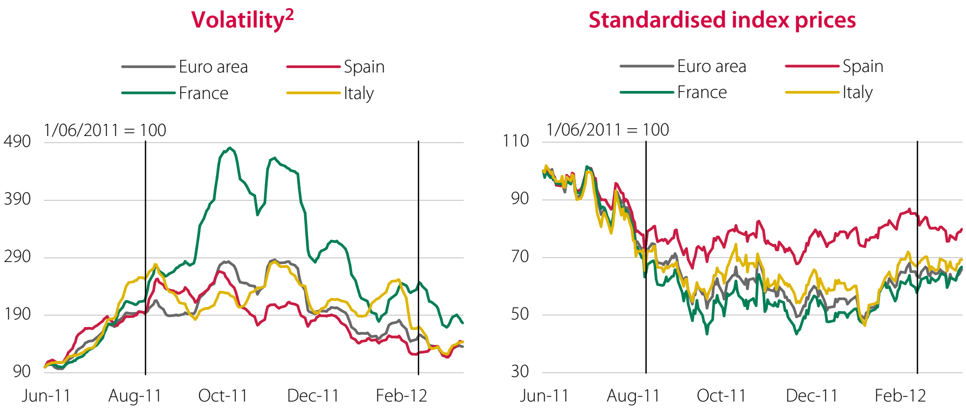
FIGURE 2.10



Source: CNMV and Thomson Datastream. Data to 29 February 2012. (1) The vertical lines appearing in both panels mark the start and finish dates of the short-selling ban in Spain (12 August 2011 and 16 February 2012 respectively). (2) Three-month maturity.

Performance of bank sector stocks[1]

FIGURE 2.11



Source: CNMV and Thomson Datastream. Data to 16 March 2012 (22 days after the ban was lifted (1) The vertical lines appearing in both panels mark the start and finish dates of the short-selling ban in Spain (12 August 2011 and 16 February 2012 respectively). (2) Average of the last five trading sessions.

Another factor helping to reduce uncertainty was the Greek government's approval on 13 February 2012 of the austerity measures demanded by the European Union, the European Central Bank and the International Monetary Fund in exchange for the release of the second international assistance package. This agreement cleared the way for the private banking sector's acceptance of a voluntary haircut on Greek bond holdings and the orderly restructuring of the country's debt, calming fears about this source of systemic risk for the European financial sector.

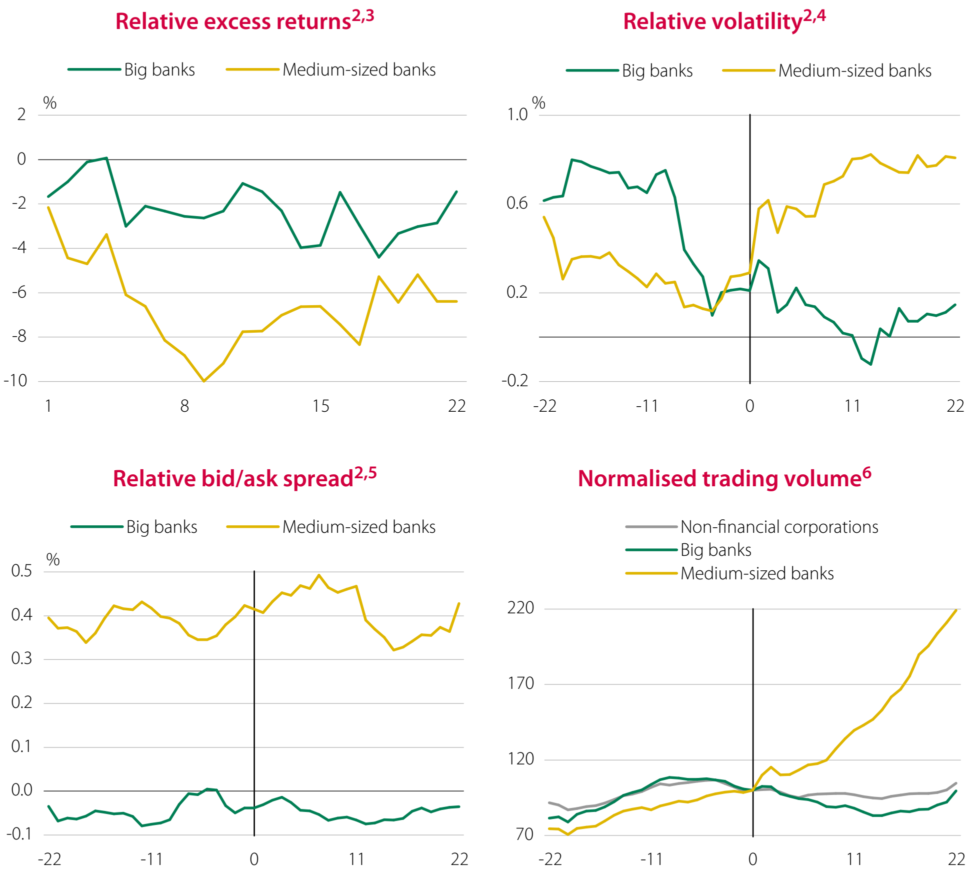
For these reasons, and as figure 2.4 confirms, the lifting of the ban was not followed by a sustained run-up in short sales of Spanish financial stocks. This is not to say that their reintroduction did not have effects on the market, especially in the near term. In fact, the post-ban experience of other jurisdictions in late 2008 and through 2009 shows that the lifting of restrictions frequently triggers a temporary overreaction in certain market variables. For example, Boehmer et al. and Hansson and Fors[27] report

27 Hansson, F. and Fors, E.R. (2009). *Get shorty? Market impact of the 2008-09 U.K. short selling ban*. Working paper, University of Gothenburg.

that the end of short-selling restrictions in the United States (in October 2008) and the United Kingdom (in January 2009) was followed by several consecutive days of price reversals, deep at times, among the stocks subject to the ban, through prices later stabilised. Also, market volatility ran higher for a time, while liquidity and turnover indicators gradually worked back to normal levels.

As we can see from figure 2.12, the Spanish market has responded similarly since the ban was withdrawn in February 2012. The shares of medium-sized banks which, according to our analysis, felt the effects of the restrictions more intensely, experienced a surge in trading volumes which was not extensive to the other two groups, large banks and non-financial corporations. However, this trading dynamism was not reflected in the bid/ask spread, which several weeks later remained at the levels of the last stretch of the prohibition period. The prices of medium-sized bank shares corrected faster on average in the post-ban period (see table 2.12). In the case of larger banks, just as the ban had made no perceptible inroads into the liquidity of their shares, its end too left this variable without apparent changes.

Liquidity, trading volume, volatility and share price of Spanish financial stocks[1] FIGURE 2.12

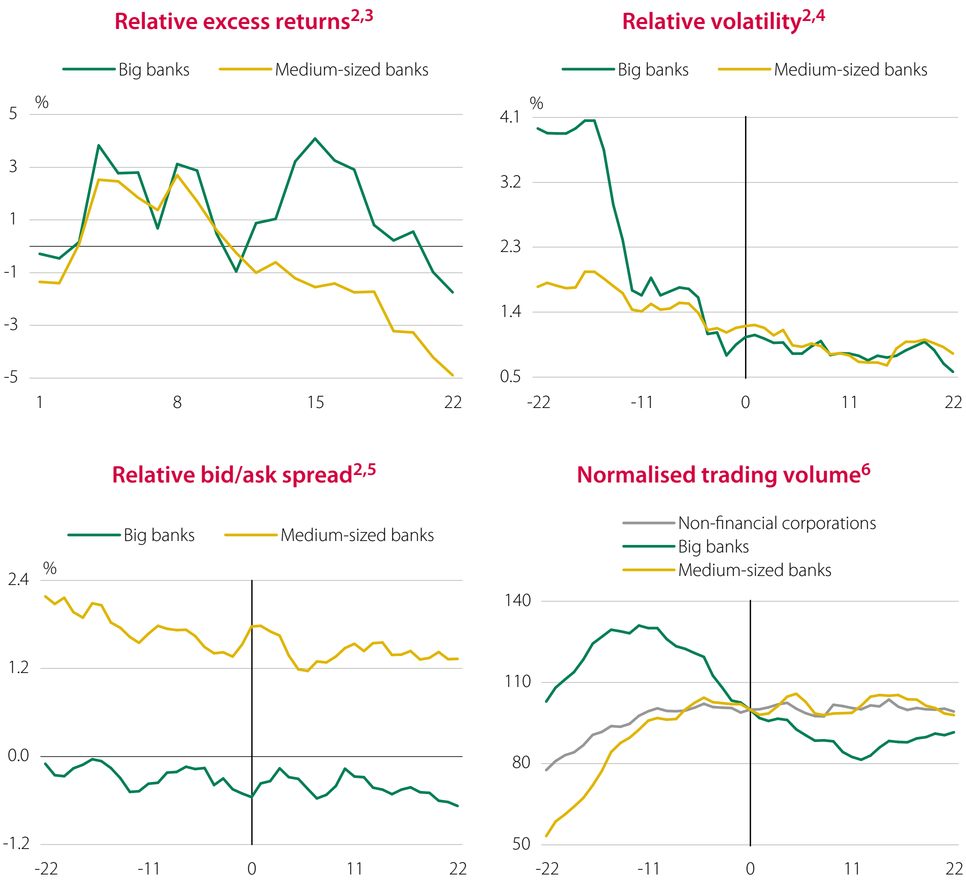


Source: Arce and Mayordomo (2012) and Thomson Datastream. (1) The X-axis is a time scale in which 0 marks the finish date of the prohibition (2) Versus Ibex 35 companies not subject to the ban. (3) See note 3 of figure 2.7. (4) See note 4 of figure 2.7. (5) See note 5 of figure 2.7. (6) See note 6 of figure 2.7, with the difference that this variable is normalised to 100 on the finish date of the prohibition.

As we might expect after the lifting of a ban which had a differential impact on the volatility and share prices of medium-sized and large banks, these two variables again responded differently in line with institution size. Hence large bank volatility and relative stock returns held flat in the first few days, while medium-sized entities suffered an upswing in volatility and a price correction that tended to stabilise after the first twelve trading days. However, these two variables, volatility and share price, had been edging higher and lower respectively in the week before the ban ended, so their later reaction may be partly ascribable to other factors.

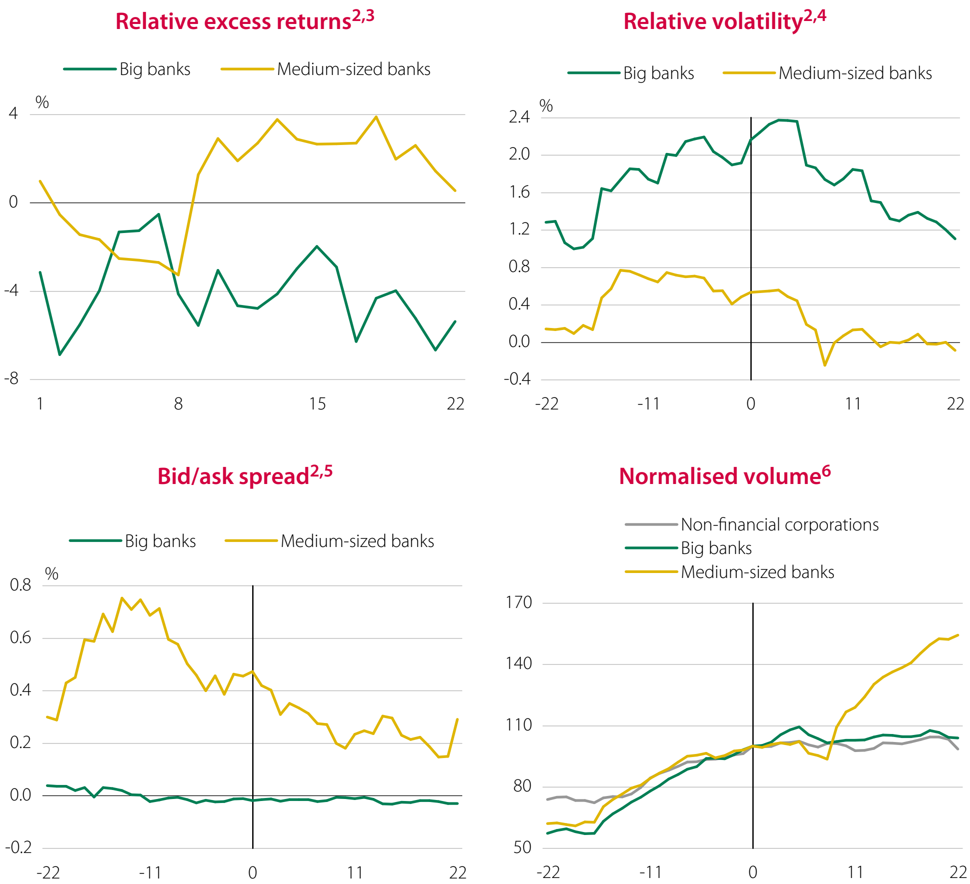
In the case of the Italian and French markets (see figures 2.13 and 2.14 respectively), the volatility and relative stock returns of medium-sized banks responded more moderately to the ban's withdrawal, though the French market too saw a decrease in the relative performance of this group's shares accompanied by an upswing in their trading volumes. However, when interpreting the comparative reactions of the three European markets, note that that the absolute volatility of Spanish bank stocks was lower overall than that of their Italian and, especially, French equivalents at the time restrictions were lifted, and indeed this margin of difference was maintained over most of the time the ban was in place (see left-hand panel of figure 2.11).

Liquidity, trading volume, volatility and share price of Italian financial stocks[1] FIGURE 2.13



Source: Arce and Mayordomo (2012) and Thomson Datastream. (1) The X -axis is a time scale in which 0 marks the finish date of the prohibition (2) Versus FTSE Mib companies not subject to the ban. (3) See note 3 of figure 2.7. (4) See note 4 of figure 2.7. (5) See note 5 of figure 2.7. (6) See note 6 of figure 2.12.

Liquidity, trading volume, volatility and share price of French financial stocks[1] FIGURE 2.14



Source: Arce and Mayordomo (2012) and Thomson Datastream. (1) The X-axis is a time scale in which 0 marks the finish date of the prohibition (2) Versus Cac 40 companies not subject to the ban. (3) See note 3 of figure 2.7. (4) See note 4 of figure 2.7. (5) See note 5 of figure 2.7. (6) See note 6 of figure 2.12 .

II Markets and issuers

3 Equity markets

3.1 General overview

There were two clearly differentiated periods in Spanish equity markets in 2011. The first period covered the first quarter of the year and was relatively calm in a context of progress in applying the reform package required by the EU in May 2010 and an emerging recovery in business results. However, as from the spring, following the rescue of Portugal, the sovereign debt crisis in the Eurozone took a turn for the worse, which in turn hit Spanish securities.

The European Central Bank raised interest rates in April and July, which contributed towards heightening market tensions, which reached a peak in August, coinciding with the difficulties in reaching an agreement to raise the US federal debt ceiling. The implied volatility of the Ibex 35 then reached values of 60% in the third quarter (in annualised terms) and closed the year at around 40%, which reflects the high level of uncertainty currently affecting the market.

In August, coinciding with one of the moments of greatest market volatility, various European supervisors, including the CNMV, banned the taking or increasing of short positions on shares in the financial sector, as analysed in detail in chapter 2 of this report.

At any event, the Ibex 35 index fell to a lesser extent than other European indexes over the year, as indicated in chapter 1. It is important to highlight the high level of liquidity in the market over the year, which once again closed with trading of more than 1 trillion euros and a historic record in terms of the number of transactions (over 40 million).

3.2 Market size

3.2.1 Market capitalisation

The market value of companies listed on Spanish stock markets stood at 421,033 million euros at the end of 2011, down 10.6% on 2010, a similar percentage to the fall seen both by the capitalisation of international stock markets and by the Ibex 35 (with falls of 13.6% in both cases).[1] Furthermore, the high concentration of capitalisation of previous years remained: the two largest companies accounted for 25% of overall market capitalisation, the five largest accounted for 50% and the thirteen largest accounted for 75%.

1 According to data from the World Federation of Exchanges, the capitalisation of stock markets worldwide amounted to 47 trillion dollars at the end of 2010.

Market capitalisation[1] in Spanish stock markets TABLE 3.1

Million euro

	2008	2009	2010	2011	% change 11/10
All markets	**476,031.7**	**545,479.3**	**470,998.6**	**421,033.8**	**-10.6**
Electronic market	470,426.1	541,140.6	466,762.5	417,269.2	-10.6
Spanish	469,876.7	539,816.2	465,335.6	415,676.7	-10.7
Foreign[2]	549.4	1,324.5	1,426.9	1,592.5	11.6
Open outcry[3]	5,495.7	4,257.7	4,161.6	3,704.9	-11.0
of which SICAVs[4]	155.0	31.2	33.4	0	-100.0
Madrid	1,554.4	997.3	878.8	833.3	-5.2
Barcelona	3,609.8	3,431.9	3,465.6	3,242.3	-6.4
Bilbao	45.9	435.4	362.1	328.8	-9.2
Valencia	786.1	559.2	458.7	240.2	-47.6
Secondary market	109.9	80.9	74.6	59.7	-20.0

Source: CNMV. (1) Only includes capitalisation of companies that were traded at some time during the year. Excludes Latibex, MAB and ETFs. (2) The capitalisation of foreign companies listed on Spanish exchanges is based on the number of shares registered by Iberclear. (3) The market capitalisation of companies traded by open outcry in more than one market has been included in the figures for each market at the price for that market. In the 'open outcry' total they have only been included once. (4) Only includes investment companies registered as listed UCITS.

As shown in table 3.2, the cement and construction materials sector recorded the largest fall in capitalisation. The energy and water sector also suffered a significant decrease, largely due to the removal of Iberdrola Renovables. Capitalisation in the banking sector remained practically unchanged. Within this sector there were significant falls in share prices, which were hit especially hard because of the sovereign debt portfolios held by these institutions and their exposure to the real estate sector. However, the negative impact of the fall in prices in the capitalisation was partially offset by the new listing of three entities, Bankia, Banca Cívica and CaixaBank, and capital increases carried out by several entities so as to anticipate compliance with the new requirements of Basel III.

The Spanish stock market is still one of the most active with respect to the size of the economy, in terms of trading volume as a percentage of GDP. As shown in table 3.3, this ratio was only exceeded by the US stock exchanges and the Tokyo stock exchange. The ratio between capitalisation and GDP in Spain fell significantly in 2011 compared with 2010 (from 44.5% to 30.2%) as a consequence of the fall in prices.

No. of listed companies and capitalisation by sector[1]

TABLE 3.2

Million euro

	Number		Capitalisation		
Sector	2010	2011	2010	2011	% change 11/10
Oil	2	1	30,346.3	28,977.2	-4.5
Energy & water	9	8	82,453.0	66,462.5	-19.04
Mining & base metals	9	9	5,916.3	4,703.5	-20.5
Cement and construction materials	5	5	2,271.9	1,566.3	-31.1
Chemical	6	6	2,606.2	1,858.2	-28.7
Textiles and paper	18	18	39,467.0	45,098.4	14.3
Metal-mechanical	15	15	11,122.4	9,769.1	-12.2
Food	12	12	7,569.5	7,295.0	-3.6
Construction	8	8	26,490.4	24,603.6	-7.1
Real estate	27	27	5,130.3	4,214.6	-17.8
Transport and communications	4	4	90,708.1	74,088.9	-18.4
Other non-financial	25	27	24,598.6	21,024.9	-14.5
Total non-financial sector	**140**	**140**	**328,679.8**	**289,582.2**	**-11.9**
Banks	9	12	118,155.7	120,094.89	1.6
Insurance	2	2	7,804.9	9,032.70	15.7
Portfolio companies	11	9	16,309.5	2,323.99	-85.8
SICAVs[2]	2	1	48.7	13.96	-71.4
Finance houses	0	0	0.0	0.0	-
Total financial sector	**24**	**24**	**142,318.8**	**131,451.6**	**-7.6**
Total	**164**	**164**	**470,998.6**	**421,047.8**	**-10.6**

Source: CNMV. (1) Only includes capitalisation of companies that were traded at some time during the year. Excludes Latibex, MAB and ETFs. (2) Only includes investment companies registered as listed UCITS.

Market capitalisation and trading as a percentage of nominal GDP

TABLE 3.3

	Market capitalisation		Trading volume	
%	2010	2011	2010	2011
USA[1]	118.2	102.7	208.2	201.9
New York	91.5	77.5	121.6	118.4
Tokyo	71.0	75.3	70.2	89.9
London[2]	84.1	80.7	63.8	70.1
Euronext[3]	75.0	68.9	50.3	60.1
Germany	43.2	38.9	49.2	57.7
Spain	44.8	39.2	97.7	85.5

Source: World Federation of Exchanges, International Monetary Fund and CNMV. (1) The numerator is the combined total of the NYSE and Nasdaq. The market capitalisation figures for each market correspond to the last working session in the month of December. (2) The London data from 2010 includes data from the Borsa Italiana, integrated in the London SE Group, and the GDP of both countries. (3) The denominator is the sum of the nominal GDP of France, the Netherlands, Belgium and Portugal.

3.2.2 Listed companies

Excluding SICAVs, at the end of 2011 there were a total of 165 companies listed on Spanish stock markets, two more than in 2010. The electronic market had 130 companies, one more than at the end of the previous year. Five companies registered on this market, while four companies were de-listed. One company was de-listed from the open outcry market (see table 3.4).

No. of companies listed on the Spanish stock exchanges[1] TABLE 3.4

	All markets		Electronic market			Open outcry		
	Total	Ex SICAVs	Total	Spanish	Foreign	Ex SICAVs	SICAVs	Secondary market
Listed at 31/12/10	164	163	129	123	6	28	1	6
Listed at 31/12/11	165	165	130	123	7	28	–	7
New listings in 2011	**6**	**6**	**5**	**4**	**1**	**–**	**–**	**1**
New listings	5	2	4	3	1	–	–	1
Listed due to mergers	1	1	1	1	–	–	–	–
Change of market	–	–	–	–	–	–	–	–
Delistings in 2011	**5**	**4**	**4**	**4**	**–**	**–**	**1**	**–**
Delistings	2	2	2	2	–	–	–	1
Delisted due to mergers	2	2	2	2	–	–	–	–
Change of market	1	–	–	–	–	–	1	–
Net change in 2011	1	2	1	–	1	–	-1	1

Source: CNMV. (1) Totals do not include MAB, Latibex or ETFs.

3.3 Listings, issues and public offerings

Primary offerings became increasingly important in 2011 as a result of the initial public offerings of two banking subsidiaries belonging to savings banks: the IPOs of Bankia, which raised 3,092 million euros, and Banca Cívica, which raised 599 million euros.

In addition, several banks carried out capital increases so as to offer shareholders the possibility of receiving dividends in the form of the company's shares (scrip dividends). These operations consist of carrying out a capital increase and offering shareholders three options: receiving the dividend in shares, selling the rights in the market or selling them to the issuer. These operations as a whole amounted to four billion euros, which accounted for 14% of all dividends paid in 2011. Of this amount, around three billion euros corresponded to operations carried out in the banking sector.

Primary and secondary public offerings[1] TABLE 3.5

Cash amounts in million euro

	2008	2009	2010	2011	% change 11/10
Capital increases	**16,339.7**	**11,388.7**	**15,412.3**	**17,221.5**	**11.8**
of which primary offerings[2]	292.0	17.4	964.0	6,441.4	571.9
with Spanish tranche	292.0	14.9	66.9	6,031.6	9,699.5
with international tranche	0.0	2.5	897.2	409.6	-54.3
Secondary offerings	**9.5**	**1.9**	**605.7**	**96.0**	**-84.2**
Spanish tranche	9.5	1.9	79.1	94.8	19.8
International tranche	0.0	0.0	526.7	1.2	-99.8
Total	**16,349.2**	**11,390.7**	**16,018.0**	**17,317.5**	**8.1**
Pro memoria: IPOs					
Primary or secondary offerings[2]	301.5	19.3	1,569.8	3,704.7	136.8
Others[3]	–	879.2	8,000.0	10,519.9	31.5

Source: CNMV. (1) Only includes registered transactions which took place. (2) Public offering of warrants after shareholders waived their preferential subscription rights. (3) In 2009, includes the new listing of all the share capital of Grupo Empresarial San José, following the merger by takeover of Parquesol Inmuebles y Proyectos and other companies of the Udra group. In 2010, it includes the first admission to trading following the public offering of the Enel Green Power group.

3.4 Trading

3.4.1 Spot trading

Trading totalled 917 billion euros in 2011, down 10.6% on the previous year. Trading in Ibex 35 companies fell by 12%. The decrease in the traded amount took place in a context of falling prices, with an increase in the number of transactions, which reached an historic high of 45 million. The Spanish regulated market has the fifth highest level of trading in Europe after the London Stock Exchange, the Chi-X multilateral trading facility, NYSE Euronext and the German Stock exchange, and the twelfth highest level in global terms.

As in other major markets, the trend of falling average cash per transaction continued in 2011. The average cash per transaction in Spain stood at 20,030 euros, a fall of 16% on 2010 and 55.6% on 2007. Both the fall in the aforementioned amount and the increase in the number of orders (45% on 2010) and transactions (13%) were at least partly related to the increase in automated algorithm-based trading, especially in high-frequency trading.

Equity trading in Spanish stock markets

TABLE 3.6

Cash amounts in million euro

	2007	2008	2009	2010	2011	% var. 11/10
All markets[1]	**1,654,702.1**	**1,228,631.6**	**877,149.4**	**1,026,646.7**	**917,434.0**	**-10.6**
Electronic market	**1,653,354.8**	**1,228,392.4**	**877,073.6**	**1,026,478.4**	**917,383.3**	**-10.6**
Spanish	1,645,855.5	1,226,985.3	872,323.1	1,020,063.2	912,176.9	-10.5
Foreign	7,499.3	1,407.1	4,750.4	6,415.2	5,206.3	-18.8
Open outcry	**1,154.4**	**207.5**	**72.6**	**165.3**	**48.4**	**-70.7**
Madrid	515.5	94.4	31.4	15.7	16.1	2.2
Bilbao	5.2	0.1	1.1	3.8	0.1	-97.6
Barcelona	444.4	107,0	32.3	143.8	26.35	-81.6
Valencia	189.3	6.0	7.8	1.9	0.3	-84.0
Secondary market	**192.9**	**31.7**	**3.2**	**3.0**	**2.3**	**-24.8**
Pro memoria:						
ETFs	4,664.5	6,938.1	3,470.6	5,968.2	3,495.4	-41.4
Alternative stock market	6,985.2	7,060.3	5,080.1	4,147.9	4,379.9	5.5
Latibex	868.2	757.8	434.7	521	357.7	-31.3

Source: CNMV. (1) Totals do not include MAB, Latibex or ETFs.

As shown in table 3.6, almost all share trading (99.9%) was carried out on the electronic market. In this market, most trading took place in the regular session, essentially through order-based trades and block trading. Block trading fell by 22% compared with the previous year, although it still accounts for a significant proportion of the trading volume, around 34% of session trading. As shown in table 3.7, the greatest rates of change were seen under the heading of "other types", mainly in the trading associated with takeover bids (4,216 million euros) and public offerings (3,922 million euros).

Trading on the electronic market by type

TABLE 3.7

Cash amounts in million euro

	2007	2008	2009	2010	2011	% change 11/10
Regular trading	1,577,249.5	1,180,835.9	833,854.9	983,584.4	873,485.3	-11.2
Order-based	985,087.6	774,718.1	499,182,8	541,879.8	505,870.1	-6.6
Put-throughs	155,085.1	105,673.9	51,335.8	58,678.1	69,410.35	18.3
Block trades	437,076.8	300,443.9	283,336.3	383,026.5	298,204.9	-22.1
Off-hours	18,301.5	10,175.2	5,996.6	17,209.5	9,801,8	-43.1
Other types	57,803.9	37,381.4	37,222.1	25,684.5	34,096.1	32.7

Source: CNMV.

As with capitalisation, concentration of trading on the electronic market remains high. In 2011, as in the previous year, the five most liquid securities on the market accounted for over 75% of trading.

3.4.2 Margin trading and securities lending

Spanish legislation allows margin trading (*crédito* system) and provides two different systems for securities lending (*crédito* and *préstamo*). The *crédito* system (for margin trading and securities borrowing) is commonly used by retail investors dealing in Ibex 35 stocks. The *préstamo* system is more commonly used by institutional investors and covers a broader range of securities, including shares traded on the Latibex and ETFs. Securities lending may be used to obtain covered short positions in the securities used in the lending.

Purchases using the *crédito* margin trading system rose by 10.6% on the previous year. This was a reversal of the downward trend in this type of purchase since the start of the crisis, although the traded amount was less than 14% of the amount recorded in 2006.

Margin trading[1] TABLE 3.8

Cash amounts in million euro

	Outstanding balance	Trading
2007	59.4	411.3
2008	7.0	154.7
2009	5.6	106.4
2010	5.0	65.9
2011	3.9	73.0

Source: CNMV. (1)Transactions performed in accordance with Ministerial Order dated 25 March 1991 on the margin system in spot transactions.

Margin trading using the *préstamo* system stood at 493 billion euros, 11.2% down on 2010. One of the factors which may have had the most direct impact on this fall was the ban on short-selling of financial shares, which are mainly carried out using this method. Sales under margin trading, much less important in terms of size, fell to 518.3 million euros in 2011.

Securities lending (*crédito* and *préstamo* systems) TABLE 3.9

Cash amounts in million euro

	Securities lending (*crédito* system)[1]		Securities lending (*préstamo* system)[2]	
	Outstanding balance	Trading	Outstanding balance[3]	Trading
2007	112.4	555.4	79,532.9	835,326.9
2008	20.7	624.9	43,647.8	583,950.8
2009	21.1	704.3	47,322.2	471,007.1
2010	9.9	598.0	36,195.9	556,246.7
2011	7.0	518.3	35,626.7	493,602.4

Source: CNMV. (1)Transactions performed in accordance with Ministerial Order dated 25 March 1991 on the margin system in spot transactions. (2) Regulated by Article 36.7 of the Securities Market Act and Order ECO/764/2004. (3) Total balance less amount of re-lending.

3.5 Takeover bids (OPAs)

Three takeover bids were authorised in 2011, one fewer than in 2010. The total amount of the operations was, however, much higher than in the previous year because of one operation, the takeover bid for Compañía Española de Petróleos, S.A. (Cepsa), which accounted for over 99% of the total bid volume. The takeover bid for Cepsa was made by International Petroleum Investment Company (Ipic), with the aim of increasing its shareholding from 47.1% to 100% of the capital, after reaching a takeover bid acceptance agreement with the leading shareholder, the company Odival, which belongs to the French group Total, which held 48.8% of Cepsa. The other two operations consisted of exclusion bids for Befesa Medio Ambiente, S.A. y Rústicas, S.A., made by their respective leading shareholders (see chapter 11 and annex I.9 for further information on the takeover bids authorised in 2011).

The consideration offered met fair price rules, with payment in cash in the three aforementioned bids. All the bids were backed by valuation reports supporting the bid price.

Both the two exclusion bids and the bid for Cepsa involved the removal from the stock market of the three companies subject to the bids.

Takeover bids TABLE 3.10

Cash amounts in million euro

	2007	2008	2009	2010	2011
Authorised[1]					
Number	16	6	5	4	3
Potential amount	48,939	3,658	9,952	1,127	3,984
Potential amount plus agreements prior to acquisition[2]	49,215	3,781	18,516	1,127	3,984
Carried out[3]					
Number	16	6	5	4	3
Amount	43,179	3,319	7,201	1,040	3,873
Amount plus agreements prior to acquisition[2]	43,455	3,442	17,605	1,040	3,873

Source: CNMV. (1) Authorised during the year. (2) Potential amount of takeover bids plus cash volume of acquisitions agreed prior to each bid. Until 2006, both figures were the same because a takeover bid had to be presented before attaining a controlling stake. (3) All bids authorised during the year, even if completed in the following year, except where the bid was unsuccessful or was withdrawn.

3.6 Multilateral trading facilities

3.6.1 Latibex

Prices on the Latibex, where Latin American shares are traded in euros, fell on the previous year. In particular, the Latibex All Share index suffered an annual fall of 23.3%, which reflects the performance of Latin American stock markets. In particular, the Merval (Argentina) and Ivobespa (Brazil) indexes underwent falls of 30.1% and 18.1% respectively. Furthermore, as regards the impact on the Latibex, the currencies of these two countries fell against the Euro.

Trading was also negatively affected and fell by 31.4% on 2010, down to 357.7 million euros. As in previous years, the shares of Brazilian companies accounted for most of the total trading, in this case 70.5%, followed by the shares of Mexican companies, with 21.3%. At the end of the year, Latibex had 29 listed companies, following the delisting of one Brazilian company and the addition of one Colombian company. Total capitalisation, calculated with the shares deposited in Iberclear, totalled 155.7 million euros at 31 December 2011, 44% down on the previous year. Brazilian companies accounted for 81.6% of total capitalisation, followed once again by Mexican companies, with 9.3%.

Companies listed on Latibex, by country **TABLE 3.11**

Cash amounts in million euro

	No. of companies		Market capitalisation			Trading		
Country	**2010**	**2011**	**2010**	**2011**	**% change**	**2010**	**2011**	**% change**
Argentina	2	2	8.2	4.3	-48.2	2.1	0.4	-80.2
Brazil	13	12	208.2	127.1	-38.9	404.2	252.3	-37.6
Chile	3	3	16.6	5.2	-68.6	20.1	15.4	-23.6
Colombia	0	1	0.0	0.8	–	0.0	8.2	–
Costa Rica	0	0	0.0	0.8	–	0.0	8.2	–
Mexico	12	10	41.7	14.5	-65.1	85.3	76.4	-10.4
Peru	1	1	3.5	3.8	8.9	6.3	5.0	-20.7
Puerto Rico	0	0	0.0	0.0	–	3.2	0.0	-100
Total	**31**	**29**	**278.1**	**155.7**	**-44.0**	**521.2**	**357.7**	**-31.4**

Source: CNMV.

3.6.2 The Alternative Stock Market (MAB)

In the first half of 2011, five new companies were included in the growth stocks segment of the MAB (Euroespes, Catenon, Lumar, Secuoya and Griño), leading to the number of companies listed in this sector rising to 17. The capitalisation of the new companies ranged between 70 million euros for the largest and 9 million euros for the smallest. At the end of the year, the capitalisation of this segment of the MAB totalled 444 million euros, an increase of 50% on 2010. The amount traded in 2011 totalled 36 million euros, 95% up on the previous year.

One positive aspect that should be highlighted is that some of the companies which joined in 2010 once again used the MAB to raise funds through four capital increases which raised over 18 million euros.

Three new registered advisers were added in 2011, bringing the total to 31. It should also be mentioned that in September BME and the Spanish Institute of Financial Analysts (IEAF) established an independent financial analysis service, InResearch, which the companies listed in the markets managed by BME may sign up to. Suitable coverage of the analysis services is an essential element for market growth, and especially for budding markets such as the MAB, which draw, above all, on relatively new companies and small and mid-cap companies.[2]

2 With regard to alternative markets and, more generally, with regard to the funding problems affecting small- and medium-sized enterprises with growth potential, see Ó. Arce, E. López Blanco and L. Sanjuán

3.7 Exchange-traded funds

Five years following their launch in the Spanish market, there were 70 ETFs available to investors at the end of 2011, which made it possible to take positions in European equity indexes, emerging country indexes, monetary indexes, currency indexes and commodity indexes. A new aspect in 2011 was the launch of an exchange traded fund with a return target equal to twice that of the benchmark index (double leverage).

Most exchange traded funds (78%) used equity indexes as benchmark assets. Almost 20% are referenced to fixed-income indexes while 2% are referenced to commodities.[3]

(2011), *Access of SMEs with growth potential to the capital markets*, CNMV, Working Paper No. 52, available at http://www.cnmv.es/DocPortal/Publicaciones/MONOGRAFIAS/N52_ENen.pdf

3 Exchange traded funds in the Spanish market basically follow the general pattern described by C. Aparicio Roqueiro and F.J. González Pueyo (2011), "Exchange-traded funds: features and recent developments", in the CNMV Bulletin, Quarter IV, 2011, available at http://www.cnmv.es/DocPortal/Publicaciones/Boletin/Boletin_4_2011_ENen.pdf

4 Fixed-income markets

4.1 General overview

Activity in fixed income markets in 2011 was once again significantly affected by the economic and financial crisis, although to a lesser extent than in 2010. Private sector issues, where financial institutions play a major role, rose notably despite the significant fall in issues by non-financial companies, as seen in table 4.1. Compared with the previous year, there were increases in all types of assets issued by Spanish financial institutions, except in senior non-convertible bonds and debentures. Specifically, issued volumes of both mortgage bonds and territorial bonds rose significantly, as did issued volumes of convertible bonds and debentures. Securitisation bonds maintained a volume similar to that seen in 2010.

Public debt issues also rose in 2011. Specifically, net issues by Public Authorities rose by 1.5%. Issues by the Central Government grew 10.6%, but were offset by the sharp falls in issues by Autonomous Regions (39.1%) and local authorities (269.8%), as shown in annex I.12.

Gross issues and outstanding balances: breakdown by issuer TABLE 4.1

Nominal amount in million euro

	Amount[1]		% change	Pro memoria: Eurozone	
					% change
	2010	2011	11/10	2011	11/10
Gross issues[2]	**589,326**	**656,351**	**11.4**	**11,984,196**	**-0.8**
Public Authorities	235,056	247,316	5.2	2,765,077	-1.4
Financial institutions	349,324	406,694	16.4	8,475,619	0.3
Non-financial companies	4,946	2,341	-52.7	743,500	-9.7
Net issues[2]	**71,809**	**92,262**	**28.5**	**620,365**	**13.5**
Public Authorities	76,551	77,689	1.5	347,970	-21.6
Financial institutions	-4,000	13,394	–	228,189	428.9
Non-financial companies	-742	1,179	–	44,206	-26.1
Outstanding balances[3,4]	**1,689,807**	**1,783,869**	**5.6**	**16,528,962**	**4.1**
Public Authorities	595,505	673,404	13.1	6,840,648	5.5
Financial institutions	1,080,442	1,095,404	1.4	8,820,624	3.3
Non-financial companies	13,860	15,061	8.7	867,690	2.1

Source: Bank of Spain, CNMV and ECB. (1) Includes issues in Spain and abroad. (2) For currency issues of Public Authorities, the exchange value in euros is used, by applying the average exchange rate for the month published by the ECB. For currency issues of financial institutions and non-financial companies, the exchange value in euros is used, applying the average exchange rate for the month published by the ECB. (3) For currency issues, the exchange value in euros is used, applying the exchange rate of the ECB at the end of the period. (4) Outstanding balances cannot be adjusted with net issues because of the use of different exchange rates for currency issues.

Among secondary markets, the Public Debt Book-Entry Market continued to be the largest in terms of trading volume. Within that market, the short-term segment (*letras del Tesoro*) registered growth in both sell-buybacks/buy-sellbacks and, above all, in outright trades, evidencing investors' preference for more liquid assets. Trading in long-term instruments (State *bonos* and *obligaciones*) also rose significantly in the outright trade segment.

As in recent years, secondary markets of private fixed income in 2011 saw a significant volume of trading in sell-buybacks/buy-sellbacks on the AIAF market, largely linked to transactions performed by the Treasury in the asset-backed security segment. In contrast, trading in repos continued the downward trend of recent years. The trading volume on AIAF exceeded that on stock markets (where the bulk of trading was concentrated in Barcelona, specifically in regional government bonds).

4.2 Public debt

4.2.1 Primary market

Gross issues by Public Authorities amounted to 247,316 million euros in 2011, 5.2% up on the previous year (see table 4.1). The bulk of this increase came from the Spanish Central Government, which issued 218,245 million euros. Gross issues by Autonomous Regions continued increasing in line with previous years, rising 15.1% up to 29,071 million euros.

As indicated in chapter 1, Public Authorities incurred a deficit equivalent to 8.5% of GDP in 2011. This deficit led to a net issue of 77,689 million euros, with 91.9% in long-term issues. Within Public Authorities, the Spanish Central Government issued 90% of the total (for further details, see annexes II.11 and II.12).

4.2.2 Secondary market

The Public Debt Book-Entry Market continued to be Spain's largest organised fixed-income securities market in terms of trading volume. As shown in table 4.2, total trading on the Public Debt Book-Entry Market in 2011 recorded an increase of 9.4% compared with 2010. This increase reversed the downward trend in trading over the previous three years. Trading in both short-term issues (*letras del Tesoro*) and long-term issues (*bonos y obligaciones*) increased compared with 2010, by 11.2% and 9% respectively.

As indicated above, outright trading increased significantly both in short-term *letras* and long-term *bonos* and *obligaciones.* In the latter case, outright trades rose by 43.6%, with the increase being particularly intense up to August, due to the selling pressure related to movements in the risk premium (see figure 4.1). As from August, selective ECB purchases eased the pressure and traded amounts tended to fall. Repo transactions fell by 28.4%, in line with the trend since the start of the crisis. This fall could be a consequence of the increase in volatility of the prices of long-term issues, which was also the result of an increase in sovereign risk.

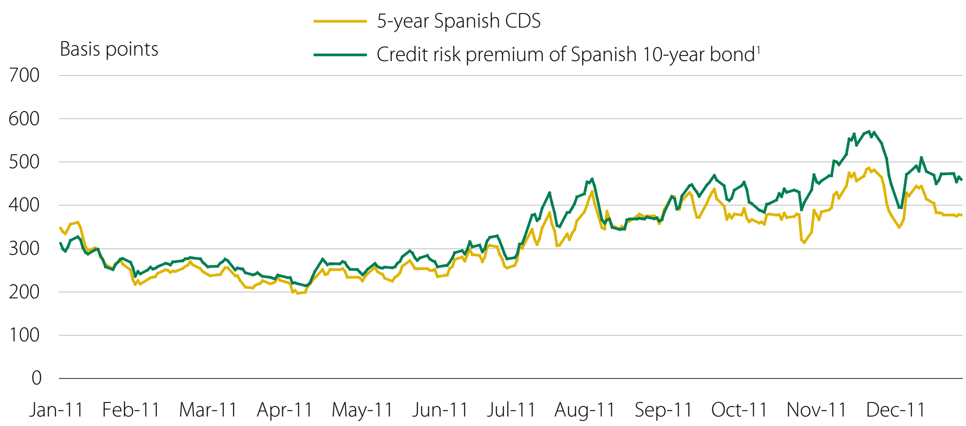
Trading on the Public Debt Book-Entry Market TABLE 4.2

Million euro

	2007	2008	2009	2010	2011	% change 11/10
Letras	**1,594,556**	**2,222,278**	**3,091,844**	**3,310,253**	**3,692,194**	**11.2**
Outright	57,925	115,312	202,589	429,019	900,807	109.2
Spot	57,363	114,611	197,502	419,846	876,809	108.6
Maturity	561	701	5,087	9,173	23,999	134.2
Repos	1,230,166	1,635,437	2,107,507	1,594,756	1,213,816	-23.9
Sell-buybacks/buy-sellbacks	306,466	471,529	781,748	1,286,478	1,577,571	21.9
Bonos* and *obligaciones	**21,069,771**	**17,722,218**	**15,430,615**	**15,062,770**	**16,596,481**	**9.0**
Outright	3,413,112	2,351,993	2,417,266	4,348,972	6,259,580	43.6
Spot	3,120,022	2,087,519	2,272,782	4,210,985	6,080,326	44.3
Maturity	293,090	264,474	144,484	137,988	179,253	23.0
Repos	9,741,672	8,474,523	6,537,836	4,181,103	2,993,210	-28.4
Sell-buybacks/buy-sellbacks	7,914,986	6,895,703	6,475,513	6,532,695	7,343,691	9.8
Total	**22,664,327**	**19,944,496**	**18,522,459**	**18,373,024**	**20,288,675**	**9.4**

Source: Bank of Spain.

Sovereign debt risk premium FIGURE 4.1



Source: Markit and Thomson Datastream. (1) The risk premium for Spanish bonds has been obtained by adding the spread of Spanish bonds and German bonds plus the 10-year CDS on sovereign German debt.

Annexes II.13 and II.14 provide more detail on trading in the Public Debt Book-Entry Market.

4.3 Private fixed income

4.3.1 Primary market

In 2011, Spanish issuers were once again affected by the complex conditions in sovereign debt markets. Difficulties in accessing wholesale markets at certain times of the year affected the issues of financial institutions, although this negative effect on the figures for issues was more moderate than in 2010. Private Spanish companies as a whole, including the financial sector, issued 409,035 million euros in 2011 (see table 4.1), an increase of 15.5% on the previous year. Issues abroad as a percentage of total issues fell compared with the previous year. Specifically, issues abroad accounted for 36% of total issues in 2010, while in 2011 this figure fell to 29.3%. As is usual, almost all issues (99.4%) were made by financial institutions.

As shown in table 4.3, the issues registered with the CNMV of all types of securities, except senior non-convertible bonds and debentures, increased. A large part of the significant increase in the total volume of private fixed-income issues was due to the 95.5% rise in the volume of mortgage bonds and the 278.5% rise in territorial bonds. These increases are especially linked to improved treatment of these bonds as collateral in the ECB financing operations aimed at credit institutions compared with other assets, such as securitisation bonds, and the implementation of a support programme for these instruments by the Eurosystem.[1] In the specific case of territorial bonds, the sharp increase in issues was favoured by the sustained increase in the balance of loans to Public Authorities on the balance sheets of credit institutions since the start of the crisis (13.6% in 2011 and 109.4% since 2007). Another cause of the increase in issues was the growth in issues of convertible bonds and debentures which followed the tightening of the capital requirements driven both by Spanish legislation and the European Banking Authority. 71.8% of the issues of convertible bonds and debentures were made as part of exchange operations in which the corresponding entity amortised, in exchange, previously issued preferred shares.

Gross issues registered at the CNMV: breakdown by instrument TABLE 4.3

Nominal amounts in million euro

	2007	2008	2009	2010	2011
Long term	**206,323**	**164,537**	**196,134**	**128,863**	**185,491**
Non-convertible bonds and debentures	27,416	10,490	62,249	24,356	20,192
subordinated debt	2,381	1,545	5,831	4,540	5,421
Convertible bonds and debentures	0	1,429	3,200	968	7,126
Mortgage bonds	24,696	14,300	35,574	34,378	67,227
Territorial bonds	5,060	1,820	500	5,900	22,334
Securitisation bonds	141,627	135,253	81,651	63,261	68,413
asset-backed (ABS)	136,887	134,453	80,835	63,261	66,313
mortgage-backed (MBS)	4,740	800	817	0	2,100
Preferred shares	225	1,246	12,960	0	200
Other issues	7,300	0	0	0	0
Short term[1]	**442,434**	**311,738**	**191,342**	**97,586**	**103,501**
Commercial paper	442,434	311,738	191,342	97,586	103,501
asset-backed	465	2,843	4,758	5,057	2,366
Total	**648,757**	**476,276**	**387,476**	**226,449**	**288,992**

Source: CNMV. (1) The figures for commercial paper issues correspond to the amounts placed.

1 In November 2011, the Eurosystem implemented the second covered bond purchase programme in the primary and secondary markets for a value of 40 billion euros, which is in force until October 2012. The first programme was implemented in May 2009 with an allocation of 60 billion euros.

Among long-term issues, securitisation bonds were once again the securities with the greatest specific weight, with 36.8% of the total. However, after recording a significant increase in issued volume, mortgage bonds accounted for a very similar percentage to that of securitisation bonds (36.2%).

Short-term funding from the issue of commercial paper rose by 6%. However, the volume of commercial paper issues is still far from the levels recorded in the years prior to the crisis. The reason for the fall in the issue of commercial paper is due, on the one hand, to lower levels of economic activity which have required lower funding and, on the other hand, to lower levels of available liquidity of the usual investors in these types of issues: non-financial companies, collective investment schemes and insurance companies.

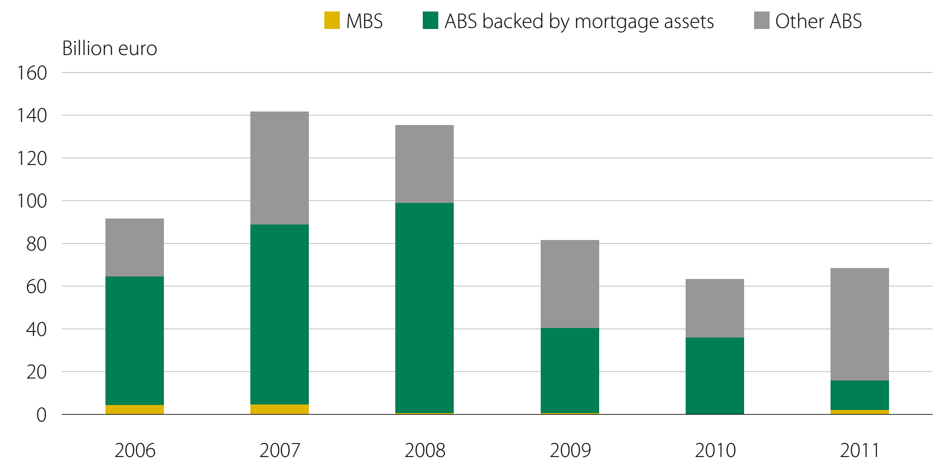
Annexes I.16, I.17 and I.18 provide greater detail about private fixed-income issues registered at the CNMV.

Asset- and mortgage-backed securities

As in recent years since the start of the crisis, securitisation bond issues carried out in 2011 were mostly retained by the originating financial institutions for use as collateral in funding operations with the ECB.

Issues of securitisation bonds totalled 68,416 million euros, an increase of 8.1% compared with 2010. This increase reversed the continuing falls in issued volumes of these instruments since 2007.

Asset- and mortgage-backed securities registered at the CNMV FIGURE 4.2



Source: CNMV.

For the first time, mortgage-backed securities were not the most issued securities, only accounting for 20% of the total volume. Securitisations of business loans accounted for the greatest amount of issued volume, with 52.1% of the total. Issues backed by the electricity system shortfall and consumer loans accounted for 14.5% and 6.4% respectively of the total amount of securitisations issued in 2011 (see annexes I.19, I.20 and figure 4.2). Annexes I.19 y I.20 provide additional information on securitisation bond issues registered at the CNMV.

Issues in foreign markets

Fixed-income issues abroad by Spanish institutions fell by 6% in 2011 compared with the previous year. This fall was concentrated in the short-term segment, as shown in table 4.4. Long-term issues remained practically stable, with a slight increase of 0.5%.

Gross private fixed income issued by Spanish issuers in foreign markets TABLE 4.4

Nominal amounts in million euro

	2007	2008	2009	2010	2011	% change 11/10
Long term	**65,629**	**39,894**	**47,230**	**51,107**	**51,365**	**0.5**
Preferred shares	2,581	0	3,765	0	0	–
Subordinated debt	8,984	70	2,061	0	242	–
Bonds and debentures	53,327	39,360	41,404	50,807	51,123	0.6
Securitisation bonds	736	464	0	300	0	-100.0
Short term	**38,003**	**72,472**	**102,456**	**76,624**	**68,677**	**-10.4**
Commercial paper	38,003	72,472	102,456	76,624	68,677	-10.4
asset-backed	12,119	425	108	248	322	29.7
Total	**103,631**	**112,366**	**149,686**	**127,731**	**120,043**	**-6.0**

Source: Bank of Spain.

Financial institutions accounted for 90.4% of gross issues in other countries, in line with the figures for previous years.

4.3.2 Secondary market

Spain has two official secondary markets in private fixed-income securities: AIAF and the stock markets. At year-end 2011, the outstanding balance of fixed-income securities admitted to trading on Spanish markets totalled 926 billion euros, a rise of 3.9% compared with the previous year. The AIAF market accounted for around 95.3% of the total amount. The breakdown and trend in the number of issuers, the number of issues and the outstanding balance listed in both markets are shown in tables 4.5 and 4.6, respectively.

The increase in the outstanding balance on the AIAF market was due to a higher number of issues of commercial paper and mortgage and territorial bonds. Issues of these assets rose by 6%, 95.5% and 278.5%, respectively. In the case of commercial paper, the increase in the outstanding balance was also partly due to longer maturities. Despite the significant fall in the outstanding balance, securitisation bonds remained the security with the greatest specific weighting, with 46.2% of the total amount admitted to trading on the AIAF market.

The volume of fixed income admitted to trading on stock markets rose by 22.1%, as a result of the increase in the traded debt of the Autonomous Regions of Catalonia, Valencia and the Basque Country, as shown in table 4.6. The outstanding balance of private debt, however, fell by 7%.

Issuers, issues and outstanding balances of fixed income on AIAF

TABLE 4.5

Nominal amounts in million euro

	No. of issuers		No. of issues		Outstanding balance		
	2010	2011	2010	2011	2010	2011	% change 11/10
Commercial paper	60	45	958	1,778	23,234	37,549	61.6
Bonds and debentures	599	575	2,379	2,245	611,805	570,753	-6.7
Securitisation bonds	459	437	1,641	1527	434,835	407,908	-6.2
Mortgage bonds	33	43	253	296	195,735	241,150	23.2
Territorial bonds	12	13	26	49	18,350	31,884	73.8
Matador bonds	12	12	14	14	1,059	1,059	0.0
Total	**631**	**611**	**3,631**	**4,382**	**850,182**	**882,395**	**3.8**

Source: AIAF and CNMV.

Issuers, issues and outstanding balances of fixed income on markets

TABLE 4.6

Nominal amounts in million euro

	No. of issuers		No. of issues		Outstanding balance		
	2010	2011	2010	2011	2010	2011	% change 11/10
Regional government debt	3	3	63	90	19,395	23,690	22.1
Other	58	54	186	150	21,649	20,127	-7.0
Barcelona Stock Exchange	52	48	204	193	33,079	30,302	-8.4
Bilbao Stock Exchange	31	28	69	77	11,864	11,872	0.1
Madrid Stock Exchange	28	27	57	62	12,506	18,566	50.9
Valencia Stock Exchange	32	31	84	94	13,257	9,536	-28.1
Total [1]	**61**	**57**	**249**	**240**	**41,043**	**43,817**	**6.8**

Source: Stock markets and CNMV. (1) Does not include book-entry debt.

Private fixed-income trading on the AIAF and stock markets as a whole totalled 7.45 trillion euros, up 67.5% on 2010. The AIAF market accounted for 99% of the total. In this regard, it is important to point out that this market has become increasingly concentrated in recent years, with the concentration in 2011 being six times higher than that recorded in 2007.

Own-account trading by AIAF market members continued rising as a percentage of total trades, accounting for 93% in 2011 compared with 87% in the previous year. In line with the trend which began two years ago, sell-buybacks/buy-sellbacks were the most common form of trades, accounting for 92.7% of the total, 6.2% up on 2010. The dominant position of these types of transaction was again due to the use of instruments listed on AIAF as collateral in ECB auctions and, mostly, to the activity carried out by the former Directorate-General of the Treasury and Financial Policy (now the General Secretariat of the Treasury and Financial Policy).[2] The Treas-

2 Royal Decree 345/2012, of 10 February, which implements the basic organic structure of the Ministry of Economy and Competition.

ury intervened as counterparty in 88.5% of the total amount traded in sell-buybacks/buy-sellbacks for an amount of 6.1 trillion euros. Securitisation bonds were once again the assets most used in own-account trading and accounted for 77.9% of the total amount traded, an increase of 7.3% on the previous year. There was a noteworthy increase in own-account trading in mortgage bonds and territorial bonds, especially in the last quarter of the year. Specifically, the trading of mortgage bonds multiplied by 2.4 over the course of 2011, while trading in territorial bonds, which started from a much lower level in 2010 (14,458 million euros), multiplied by 38, up to over 500 billion euros during the year.

Total trading on AIAF

TABLE 4.7

Nominal amounts in million euro

	2007	2008	2009	2010	2011	% change 11/10
By type of asset						
Commercial paper	568,010	591,944	533,331	385,239	227,535	-40.9
Bonds and debentures	469,533	1,788,946	3,854,897	3,711,804	5,953,577	60.4
securitisation bonds	378,005	1,704,342	3,527,486	2,784,775	5,462,806	96.2
Mortgage bonds	80,811	129,995	263,150	271,442	662,177	143.9
Territorial bonds	7,750	10,142	7,209	14,458	544,781	3,668.0
Matador bonds	1,374	13	45	176	116	-33.8
By type of transaction						
Outright	416,478	387,897	378,347	288,927	343,100	18.7
Repos	441,363	381,505	362,069	304,493	198,515	-34.8
Sell-buybacks/Buy-sellbacks	269,637	1,751,638	3,918,216	3,789,698	6,846,571	80.7
Total	**1,127,478**	**2,521,040**	**4,658,632**	**4,383,119**	**7,388,186**	**68.6**

Source: AIAF and CNMV.

Trading with third parties fell once again and only accounted for 6.6% of total market activity. One of the main transactions in this area was the trading of commercial paper, which continued falling in 2011, down by 38% on 2010. Although its proportion of the total is not very high, it is also important to point out the sharp growth of territorial bond trades in this segment, which rose by 189% on the previous year.

In its first full year of operation, trading on the Sistema Electrónico de Negociación de Deuda (electronic debt trading system, SEND), the electronic fixed-income platform for retail investors created by AIAF in 2010 to increase market transparency and improve the information available to retail investors, totalled 117.9 million euros.

Finally, private fixed-income trading on stock markets rose for the first time in four years. In 2011, trading was 1,341 million euros higher than in 2010, as shown in table 4.8 debt issued by Regional Governments was once again the most traded debt, accounting for 91.2% of total volume.

Fixed-income trading on the stock markets

TABLE 4.8

Nominal amounts in million euro

	2007	2008	2009	2010	2011	% change 11/10
Regional government debt[1]	83,734	70,075	65,121	56,919	62,208	9.3
Other	7,837	10,117	9,586	10,135	4,573	-54.9
Public debt book-entry securities	34	331	49	331	883	166.8
Total	**91,605**	**80,523**	**74,756**	**67,384**	**68,725**	**2.0**

Source: Stock markets and CNMV. (1) The regional governments of Catalonia, Valencia and the Basque Country. Does not include: Instituto Catalán de Finanzas (Catalan Finance Institute), Diputación Foral de Vizcaya (Provincial Council of Biscay) or Consorcio de Transportes de Vizcaya (Biscay Transport Consortium).

5 Derivatives markets

5.1 General overview

As in previous years, most trading on MEFF was concentrated on contracts with underlying equity assets (Ibex 35 and individual shares). The number of contracts traded fell slightly compared with the previous year. However, in terms of notional value, trading fell by more than 15% as a result of the fall in activity in Ibex 35 futures and options, which are those with the highest notional value. The increase in the trading of futures on individual shares (with a notional value of 100 shares) was insufficient to offset the aforementioned fall.

The fall in the notional traded value took place amidst a highly volatile environment in equity markets, as a result of which, in other circumstances, it would have been reasonable to expect greater demand for hedging operations in derivative markets. However, the entry into force in August of the ban on taking short positions on financial sector shares may have significantly reduced trading on MEFF. In this regard, it should be pointed out that a large part of the fall in trading took place in the last quarter of the year when the ban on taking short positions was in force. The number of contracts traded in the fourth quarter fell by almost 50% compared with the same period of the previous year.

Trading in the Olive Oil Futures Market reversed the upward trend of previous years and recorded a fall for the first time in recent years.

Trading on Spain's financial derivatives markets[1] TABLE 5.1

No. of contracts, except where otherwise stated

	2007	2008	2009	2010	2011	% change 2011/10
MEFF FI	**13**	**12**	**18**	**14**	**18**	**28.6**
Debt futures	13	12	18	14	18	28.6
Debt options	–	–	–	–	–	–
Mibor futures and options	–	–	–	–	–	–
Euribor futures	–	–	–	–	–	–
MEFF Equity	**44,176,717**	**72,988,780**	**86,302,237**	**64,237,649**	**62,800,208**	**-2.2**
Ibex 35 futures	8,721,832	7,605,341	5,751,818	6,638,925	5,591,183	-15.8
Ibex 35 Div. Impact	0	0	0	0	3,154	–
Ibex 35	8,435,258	7,275,299	5,436,989	6,280,999	5,281,218	-15.9
Ibex 35 Mini[2]	286,574	330,042	314,829	357,926	309,965	-13.4
Ibex 35 options	567,077	828,622	435,726	307,242	219,897	-28.4
Stock futures	21,294,315	46,237,568	44,586,779	19,684,108	27,578,789	40.1
Stock options	13,593,493	18,317,249	35,527,914	37,607,374	29,410,340	-21.8
Total MEFF	**44,176,730**	**72,988,792**	**86,302,255**	**64,237,663**	**62,800,226**	**-2.2**
Electronic market	**5,085,503**	**2,872,261**	**1,730,694**	**1,543,241**	**1,304,280**	**-15.5**
Warrants[3]	5,085,503	2,872,261	1,730,694	1,543,241	1,304,280	-15.5
Pro memoria:						
Total EuroMEFF	**2,430,363**	**2,038,164**	**1,394,007**	**977,142**	**718,729**	**-26.4**
European debt futures	1,059,113	869,105	558,848	373,113	267,713	-28.2
European index contracts	1,371,250	1,169,059	835,159	604,029	451,016	-25.3
Other	–	–	–	–	–	–

Source: CNMV. (1) Trading volume on MEFF and EuroMEFF is expressed in number of contracts. Differences in the value of the underlying instruments prevent direct comparisons between products, but year-on-year comparisons are meaningful. (2) 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 euros). (3) Premiums traded, in thousands of euros, on the electronic market.

5.2 MEFF

On a global level, regulated markets in derivative instruments traded a total of 185,000 million contracts last year, 8.9% up on 2010, according to data from the World Federation of Exchanges. Changes in trading were unevenly spread over the main international markets. In particular, in Europe, while the Eurex, the main European market and one of the two largest in the world, and Nasdaq OMX saw an increase in the number of contracts traded, trading fell on the NYSE Euronext Liffe, as shown in table 5.2.

As indicated above, the number of contracts traded on MEFF fell slightly. This fall affected all contracts traded, except individual stock futures, as shown in table 5.1. With regard to the most important contracts traded on MEFF, there was a clear contrast in the development of trading of futures and options on individual Spanish shares. While the number of futures contracts traded rose by 40%, the number of options contracts fell by 21%. Even though trading in stock options fell for the second consecutive year, these products were once again the most important in terms of contracts traded. Both in options and futures on individual shares, the most liquid and largest-cap underlying assets in the spot market and those included in the Eurostoxx 50 index once again accounted for the bulk of trading.

Trading on Europe's financial derivatives markets

TABLE 5.2

Thousands of contracts

	2008	2009	2010	2011	% change 2011/10
Eurex	2,165,043	1,687,159	1,897,403	2,043,920	7.7
NYSE Euronext Liffe	1,049,730	1,056,012	1,222,556	1,113,359	-8.9
Nasdaq OMX	166,481	102,129	108,611	116,971	7.7
MEFF	72,989	86,302	64,237	62,800	-2.2

Source: Eurex, Nasdaq OMX, NYSE Euronext and CNMV.

While contracts on individual shares were the most important in terms of the number of contracts traded, the most important in terms of notional value of the underlying asset, as indicated above, were Ibex 35 futures, with a notional value per contract of 85,000 euros. The number of Ibex 35 futures traded fell by 15.8% over the year.

One of the main new aspects of the year was the introduction of futures on the dividends of the five most liquid shares of the Ibex 35, which will be described below. A total of over 3,000 contracts corresponding to these new instruments were traded.

The total number of MEFF members fell by two in MEFF Equity, while the number of members in MEFF Fixed Income remained the same. With regard to member categories, there was a noteworthy reduction of four trading members in MEFF Equity. The new MEFF Regulation approved in 2011 no longer recognises the category of settling custodians and these participants now form part of the category of settling members. Table 5.3 shows the breakdown of members by category and the changes on the previous year.

MEFF membership figures

TABLE 5.3

	2010	2011
MEFF Equity	**94**	**92**
Settling custodian members	24	–
Settling members	26	52
Trading members	26	22
Proprietary trading members	18	18
MEFF fixed income	**37**	**43**
Settling custodian members	24	20
Settling members	7	22
Trading members	6	1

Source: MEFF and CNMV.

5.2.1 New developments in MEFF

Amendment to the MEFF Regulation

Following publication of Royal Decree 1282/2010, of 15 October, MEFF requested the amendment of its Regulation so as to include the changes provided in the new legal framework. Once approved by the CNMV Board, the new MEFF Regulation entered into force in January 2011. The main new elements of this Regulation are as follows:

1. Establishment of a double step register, thus allowing the category of recording member.

2. The possibility of admitting to trading and/or registration instruments with a non-financial underlying asset.

3. The modification of the structure of margins, with the establishment of a default fund, which is provided by settling members and used with joint and several liability, when necessary.

4. Allocation of part of MEFF's own funds for offsetting losses in the event that a settling member defaults and that these losses have not been covered by the margins which the member provided. This quantity is used prior to the default fund.

5. Update and improvement of the procedures for declaring and managing defaults, with allocation of liability to whoever bears the risk (member or chamber). Default management is based on two principles: cross default (default of a member as regards MEFF and therefore default in all the groups of contracts in which it participates) and non-contamination between segments (in the event of default, the guarantees provided by MEFF or by other members of the group of contracts cannot offset losses for the management of default in other groups of contracts).

New contracts

The new contracts admitted by MEFF in 2011 include futures on the dividends of individual shares (admitted to trading and registration). In these contracts the underlying asset is the sum of the gross ordinary dividends paid by a specific company (initially, the five most important companies in the Ibex 35 index) between two predetermined dates. This contract may be used as a hedge of the dividend component of transactions in other instruments, such as stock futures and options, with the intention of isolating exposure to the volatility or development of the share price without assuming the risk deriving from estimating dividends, which are incorporated into the valuation of said contracts.

Furthermore, in application of the new possibility of admitting derivatives only to registration, for their subsequent clearing and settlement, MEFF has extended the group of financial derivatives to include the flex contracts on the Ibex 35 and individual shares, in which the maturity and strike price are not standard.

In addition, on 21 March 2011, Meff Power began operating. This is the commercial name of the group of energy derivatives, in which OTC trades and electricity futures and swaps may be admitted to registration. The futures and swaps are referenced to the energy price in the Spanish part of the Iberian Electricity Market. As this is a different group of contracts, Meff Power has its own default fund. The contracts which are registered are settled by differences. Activity in this segment has been growing over the year, especially as from August, with a total volume of 7.4 million MWh and a registered cash amount of 395.5 million euros.

Since its creation, a total of 24 members have been registered. Most of these members, which in turn are the most active, are industrial companies (19 members), which have registered as proprietary trading members, while the others are banks (3 general settling members and 2 trading members).

Posting margins through securities

According to criteria established in MEFF circulars, the securities accepted as margins include margin collateral in the form of securities registered in Clearstream Banking Luxembourg, S.A. (Clearstream). This modification extends the list of securities accepted as collateral, which now includes certain domestic sovereign debt issues of Germany, France, United Kingdom, Netherlands, Belgium and Austria. Securities given as collateral are recorded in the account which MEFF holds in Clearstream.

It should be noted that, as a consequence of the volatility associated with the turmoil in debt markets, MEFF has increased the haircuts applicable to securities accepted as margin collateral, and has also carried out various adjustments to the parameters of these margins.

Settling members

MEFF also implemented by means of a circular the possibility, included in the regulation, that a trading member may have two general settling members. This facility makes it possible to diversify operational risk with respect to the settling member which the trading members have, making it possible to guarantee the immediate operational continuity of a trading member in MEFF following the collapse of its settling member or any other type of incident.

5.3 Warrants and certificates

One of the most noteworthy aspects in the warrants and certificates markets in 2011 was the significant increase in activity in the primary market for warrants and in the secondary market for certificates, especially in contracts with underlying commodities, associated with the high volatility in energy prices and the profitability of gold. There was also a greater presence of institutional investors in these markets.

Within the secondary market, warrants maintained their dominance in trading compared with certificates, although certificates increased their relative weight in secondary markets thanks to the significant increase in the trading of certificates on commodities, especially by institutional investors. The increase in trading by institutional investors led to an increase in the average cash value per transaction.

5.3.1 Issues

Issues in the primary market of warrants in 2011 were dominated by the nine entities which have been active on this market since 2009. A total of 9,237 issues were made, an increase of 10.2% compared with the previous year, while premiums totalled 5,545 million euros, an increase of 12.8%.

Over 20 new underlyings were included in 2011, including securities issued by international companies and new currencies, such as the Turkish lira. In addition, the premiums in issues of warrants on commodities doubled compared with 2010. Issues of warrants on individual shares once again accounted for the greatest volume in terms of premiums collected, rising by 28%. As shown in table 5.4, the premiums corresponding to currencies and indexes fell.

With regard to certificates, following a slight rally of the primary market in 2010, no issues were recorded in 2011, as was the case in 2009 (see table 5.5).

Warrant issues registered with the CNMV TABLE 5.4

Cash amounts in thousand euro

	Number		Amount of premium				
	Issuers	Issues	Total	Shares	Indexes[1]	Currencies	Commodities
2008	8	9,790	12,234,336	6,914,044	4,552,107	425,336	342,850
2009	9	7,342	5,165,129	2,607,091	2,000,077	328,862	229,099
2010	9	8,375	4,915,297	2,537,377	1,852,552	371,084	154,285
2011	9	9,237	5,544,579	3,211,742	1,786,793	228,172	317,873

Source: CNMV. (1) Includes baskets of securities and of indexes.

Certificate issues registered with the CNMV TABLE 5.5

Cash amounts in thousand euro

	Number		Amount of premium				
	Issuers	Issues	Total	Shares	Indexes[1]	Currencies	Commodities
2008	1	10	120,083	31,583	88,500	0	0
2009	0	0	0	0	0	0	0
2010	1	1	10,136	0	0	0	10,136
2011	0	0	0	0	0	0	0

Source: CNMV. (1) Includes baskets of securities and of indexes.

5.3.2 Trading

Trading on the secondary markets in warrants fell for the fourth consecutive year, with total premiums traded of 1.5 billion euros, 6% down on 2010. With the exception of warrants on commodities, which quadrupled trading compared with the previous year, trading in other underlying assets fell compared with 2010, as shown in table 5.6. The increased interest in warrants on commodities, especially contracts on oil, coincided with a year of high volatility in energy prices.

Trading in warrants on the electronic market

TABLE 5.6

Premiums traded, in thousand euro

		Premiums traded, by type of underlying				
	No. of issues	Indexes[1]	Shares	Currencies[2]	Commodities	Total
2008	9,770	1,066,510	1,727,644	78,107	71,467	2,943,728
2009	8,038	761,610	907,527	61,557	37,749	1,768,443
2010	7,750	689,565	820,500	33,176	59,970	1,603,211
2011	8,328	518,219	751,968	34,096	245,916	1,550,200

Source: CNMV. (1) Includes baskets of securities and of indexes. (2) Includes fixed-income warrants in the years in which these were traded.

Despite the lack of activity in the primary market over the year, trading in certificates increased significantly. As indicated above, this is associated with the activity in contracts on underlying commodities (see table 5.7). Specifically, premiums traded totalled 92 million euros, more than four times the amount recorded in 2010. Premiums traded in commodities accounted for 96% of the total.

Trading in certificates on the electronic market

TABLE 5.7

Premiums traded, in thousand euro

		Premiums traded, by type of underlying				
	No. of issues	Indexes[1]	Shares	Currencies	Commodities	Total
2008	26.0	13,674	1,617	0	1,514	16,805
2009	22.0	33,087	978	0	5,095	39,160
2010	16.0	10,563	1,542	0	9,910	22,015
2011	13.0	3,856	240	0	87,960	92,055

Source: CNMV. (1) Includes baskets of securities and of indexes.

5.4 Other financial contracts

No issues of option contracts took place in 2011. There has been a limited amount of activity in this segment over recent years, both in the number of issuers and in the issued volume (see table 5.8).

Issues of call and put option contracts registered with the CNMV

TABLE 5.8

Cash amounts in thousand euro

	Number		Amount of premium				
	Issuers	Issues	Total	Shares	Indexes[1]	Commodities	Exchange Rates
2008	1	4	77,000	77,000	0	0	0
2009	1	3	35,000	25,000	10,000	0	0
2010	1	7	64,000	47,000	17,000	0	0
2011	0	0	0	0	0	0	0

Source: CNMV. (1) Includes baskets of securities and of indexes.

5.5 Olive Oil Futures Market

Trading on the Olive Oil Futures Market[1] (MFAO) fell significantly in 2011 compared with the previous year. Specifically, a total of 63,173 contracts were traded,[2] a fall of 61.9% compared with 2010, the year which marked a historic record in trading.

The number of MFAO members rose in 2011 as one new industrial member belonging to the olive oil sector joined (see table 5.9). The other financial members remained unchanged with regard to the previous year.

MFAO membership figures TABLE 5.9

	2010	2011
Settling custodian members	5	5
Settling members	5	5
Trading members	2	2
Industrial members	7	8
Total	**19**	**20**

Source: MFAO and CNMV.

5.5.1 New aspects of the MFAO market

Following the fall in volume recorded in 2011, MFAO has begun to develop initiatives aimed at increasing market transparency not only for its direct participants but also for the general public. Specifically, MFAO implemented two initiatives in 2011. The first of these allows users to access trading information in real time both through a freely available window in the market's website and through an application for mobile phones with Internet access.

The second initiative involved the market issuing a circular implementing two new types of order: i) GTC all or none orders and II) GTC combined orders by price difference, aimed at facilitating the crossing of large volume all or none orders and simultaneous trading of two maturities (rollover). In both cases, the full volume of the orders must be executed, as in traditional all or none orders, but with the difference that the orders which cannot be executed when they are entered do not disappear from the system, but remain outstanding on specific information screens until the moment at which they may be executed.

1 The Olive Oil Futures Market (MFAO) began operating on 6 February 2004. It was the first market in the world to allow trading in olive oil derivatives.

2 Each olive oil future contract represents one tonne.

6 Registry, counterparties, clearing and settlement

6.1 Iberclear

Iberclear is in charge of registering, clearing and settling securities in Spain. Iberclear mainly deals with securities traded on stock markets, public debt markets and AIAF.

At year-end 2011, Iberclear had 211 participating entities, 14 more than at the end of 2010 (see table 6.1). The number of participants in public debt settlement activities increased by 17 and the number of participants in settlements of trade on AIAF rose by 20. However, the number of participants in the equity platform fell by 3 (2 in stock markets and 1 in Latibex).

Iberclear members TABLE 6.1

	2010	2011
Total Iberclear[1]	**197**	**211**
Members of:		
Stock markets	88	86
Latibex	75	74
AIAF	81	101
Public debt	154	171

Source: Iberclear. (1) The total is lower than the sum of the number of clearing members in the various markets since some firms are members of more than one market.

6.1.1 Iberclear-CADE

In 2011, 4,805 issues were registered on this platform, with a nominal amount of 1.5 trillion euros (see table 6.2). 92% of these issues were admitted to trading on the AIAF market and the rest on the public debt market. 57% of the nominal amount was from issues listed on AIAF and 43% from the public debt market. In overall terms, considering both markets, the number of issues increased by 19% compared with the previous year and the nominal issued amount rose by 7%. The number of issues on the AIAF market rose by 20% compared with 2010 and the nominal issued amount rose by 3%. The number of issues on the public debt market rose by 9% and the nominal issued amount rose by 14%.

Iberclear-CADE: registry

TABLE 6.2

Cash amounts in million euro

	Public debt		AIAF		Total		
Registered securities	2010	2011	2010	2011	2010	2011	% change (11/10)
Number of issues	343	374	3,680	4,431	4,023	4,805	19.4
Nominal amount	580,687	664,335	858,863	881,269	1,439,550	1,545,604	7.4

Source: Iberclear.

Tables 6.3 and 6.4 show the figures for settlement. The number of outright trades on the AIAF market in 2011 rose by 22% and the nominal amount by 34%. There was a sharp increase (242%) in this market in the number of outright transfers between accounts of the same owner, which are related to amortisation and swap offers for preferred shares made by issuers. There was an across-the-board increase in the public debt market compared with 2010 in all types of transactions, both in number and in nominal amount, except for repos and sell/buybacks and buy/sellbacks and temporary transfers between accounts of the same owner. The number of outright trades increased by 52% and their nominal amount by 49%.

Iberclear-CADE: no. of trades settled

TABLE 6.3

	Public debt		AIAF		Total		
	2010	2011	2010	2011	2010	2011	% change
Outright trades	359,162	547,460	977,641	1,189,677	1,336,803	1,737,137	30.0
Repos and sell/buybacks and buy/sellbacks	3,805,081	3,510,056	131,337	119,508	3,936,418	3,629,564	-7.8
Outright transfers (between accounts of the same owner)	296,000	439,131	189,808	649,539	486,408	1,088,670	123.8
Temporary transfers (between accounts of the same owner)	42,898	32,253	60	7	42,958	32,260	-24.9
Transfers of held-to-maturity securities	543,822	720,003	62,707	78,553	606,529	798,556	31.7
Transfers for collateral (to a different owner)	2,023	2,306	11,749	8,384	13,772	10,690	-22.4
Total	**5,049,586**	**5,251,209**	**1,373,302**	**2,045,668**	**6,422,888**	**7,296877**	**13.6**

Source: Iberclear.

Iberclear-CADE: amount of settled trades[1]

TABLE 6.4

Cash amounts in million euro

	Public debt		AIAF		Total		
	2010	2011	2010	2011	2010	2011	% change
Outright trades	5,210,532	7,548,843	321,889	431,507	5,532,421	7,980,350	44.2
Repos sell/buybacks and buy/sellbacks[2]	33,166,450	27,535,883	6,864,032	10,208,092	40,030,482	37,743,975	-5.7
Outright transfers (between accounts of the same owner)	5,397,178	10,104,297	1,601,777	1,574,055	6,998,955	11,678,352	66.9
Temporary transfers (between accounts of the same owner)	285,554	189,817	174	125	285,728	189,942	-33.5
Transfers of held-to-maturity securities	11,914,308	16,036,094	627,580	721,475	12,541,888	16,757,569	33.6
Transfers for collateral (to a different owner)	82,338	124,364	283,501	212,217	365,839	336,581	-8.0
Total	**56,056,360**	**61,539,298**	**9,698,953**	**13,147,471**	**65,755,313**	**74,686,769**	**13.6**

Source: Iberclear. (1) Effective amount, in the case of outright trades, repos and sell-buybacks/buy-sellbacks; nominal amount, in the case of temporary and held-to-maturity transfers. (2) For sell/buybacks and buy/sellbacks, both the amount of the purchase and of the sale are recorded.

6.1.2 Iberclear-SCLV

By the end of the year, Iberclear had registered 6,246 issues, with a nominal value of 114,372 million euros. The number of registered issues rose compared with the previous year, although the registered nominal amount remained practically the same, as shown in table 6.5.

Iberclear-SCLV: registry TABLE 6.5

Cash amounts in million euro

	Stock market			Latibex		
	2010	2011	% change	2010	2011	% change
Number of issues	5,820	6,246	7.3%	33	34	3.0
Registered amount[1]	113,597	114,372	0.7%	279	156	-44.2

Source: CNMV. (1) Nominal amount, in the case of the stock market; effective amount, in the case of Latibex.

In line with the changes in trading, settlements in Iberclear in 2011 were characterised by an increase in the number of trades, accompanied by a fall in the settled amount, which was mainly the result of falling prices. As indicated in chapter 3 of this report, the increase in the number of trades partly reflects the increase in algorithmic trading, which is common to other large markets. There has also been a noteworthy increase in the payment of scrip dividends, particularly by issuers that usually pay dividends quarterly. Considering the stock markets and Latibex together, over 34 million transactions were settled in 2011, with an effective value of more than 1.8 trillion euros. The number of transactions rose by 8% compared with the previous year and the total amount settled fell by 11%. In the specific case of Latibex, effective volume fell by 30%.

Iberclear settles trades in equity instruments and transfers of securities between accounts of the same owner in different entities. Transfers between accounts of the same owner may be free of payment or against payment. In 2011, the number of free of payment transfers fell by 37%, while the number of transfers against payment remained the same. In the case of Latibex, the largest fall was seen in transfers against payment, which fell by 30%, while free of payment transfers fell by 6%.

In 2011, the settlement and registration procedures for OTC trading entered into operation. As shown in table 6.6, the number of OTC transactions settled through central counterparties totalled 105,205, almost all of which were against payment, for an effective value of 8,687 million euros. The number of purely bilateral transactions settled over the year amounted to 50, for a total of ten million euros.

The relative weight of failed settlements i.e. sales transactions not settled during the settlement cycle provided in the system (currently to be settled on D+3), remained low although they rose slightly compared with the previous year. These failed settlements accounted for 0.54% of the total settled amount, compared with 0.44% in 2010. The number of non-settled trades accounted for 0.34% of the total, compared with 0.29% in 2010.

Iberclear-SCLV:. trades settled TABLE 6.6

Cash amounts in million euro

	Stock market				Latibex			
	No. of trades		Amount		No. of trades		Amount	
Trades	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**
Purchases and sales	31,623,799	34,057,075	2,080,138	1,858,930	52,413	49,550	1,035	726
Failed settlements	39,110	45,811	4,500	5,296	1,585	1,398	27	28
Buy-ins	138	249	12	15	18	8	0,2	0,1
Transfers f.o.p.	218,001	1,044,713	0	0	1,615	1,525	0	0
Transfers a.p.	1,071,930	1,044,713	545,110	460,788	1,926	1,355	68	44
OTC a.p.	–	18	–	10	–	0	–	0
OTC f.o.p.	–	32	–	0	–	0	–	0
OTC CCP a.p.	–	105,167	–	8,687	–	0	–	0
OTC CCP f.o.p.	–	38	–	0	–	0	–	0
Total	**32,913,730**	**35,345,444**	**2,625,248**	**2,328,415**	**55,954**	**52,430**	**1,103**	**770**

Source: Iberclear. f.o.p. = free of payment. a.p. = against payment. OTC CCP = bilateral transactions through central counterparties.

6.1.3 Technical enhancements

Settlement and registration of transactions under Title V of the Regulation of the Sociedad de Sistemas

As indicated above, the settlement and registration procedures for OTC trading entered into operation in 2011. These transactions are performed pursuant to Title V of the Regulation of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, entitled "Settlement and registration of trades of listed securities performed outside stock markets". Specifically, two types of procedure were implemented: the general settlement procedure, which deals with purely bilateral or strictly OTC trading, and another aimed at settling transactions from a CCP, which in turn follow from the net result of transactions crossed in a multilateral trading facility.

Agreements with entities which perform similar functions and central counterparties

The CNMV approved the provisions necessary to begin operations of the Link-Up Markets platform. This platform, which is managed by ten central securities depositories, including Iberclear, began operating in February 2011. Its aim is to improve efficiency and reduce post-trade costs of cross-border securities transactions. Two links have so far been approved within Link-Up.

Furthermore, within Title VI, Iberclear Circular 9/2011 "Agreements with Central Counterparties" was approved, which implements the procedure for approving agreements between Iberclear and a central counterparty, pursuant to point 7 of Article 44 *bis* of Act 21/1988. In 2011, one agreement was approved with a CCP and there was progress in negotiations for agreements with other CCPs.

Progress in the reform project of the securities clearing and settlement system EXHIBIT 6.1

Work on the reform of the securities clearing, settlement and registration system continued in 2011 with the implementation of new regulatory amendments and progress in functional design and system architecture. Specifically, in the first quarter of the year the main proposals on the reform of the system were submitted to public consultation so as to gather opinions about the proposals from participants and other interested agents. The document was well received, with a high number of contributions and representation. On 31 March 2011, having analysed the responses to the public consultation and taking into account all the information obtained since the start of the process, the Chairman of the CNMV passed on to the Ministry of Economy and Finance the explanatory memorandum of the reform proposal which would be included in Law 32/2011, of 4 October, amending the Securities Market Act.

The reform provides for the intervention of a central counterparty in security trades carried out multilaterally, which will perform the function of receiving and accepting security and money transfer orders and will carry out the corresponding clearance, providing finality to said transactions and informing a central securities depository for it to complete the corresponding execution of the trades.

The CNMV, in collaboration with the Bank of Spain, set up a Coordination Committee in which both the market infrastructures and the main associations in the sector are represented. This committee must ensure compliance with the implementation deadlines, and establish the lines to be followed, and must debate and reach agreement on the different sections of the reform. The technical work will be in the hands of the Technical Advisory Committee, which has been expanded and now contains representatives from throughout the sector.

The work carried out on the reform of the securities clearing, settlement and registration system has involved taking into account the progress in the different initiatives at a European level on book-entry securities, central securities depositories and EU regulation of central counterparties.

The work, which is not without its technical difficulties, is subject to the need to converge over time with the implementation of the Target2-Securities platform, planned for June 2015.

6.1.4 European integration initiatives

Progress continued to be made in 2011 on the different initiatives relating to post-trading in Europe. The most noteworthy aspects are described below.

Target2-Securities (T2S)

Work relating to the T2S project continued in 2011, in line with the creation of a single securities settlement platform in the context of the Eurosystem. In particular, the Governing Council of the ECB approved the Framework Agreement implementing this project, which aims to facilitate centralised settlement of securities transactions in euros and other currencies. Furthermore, in March the detailed technical specifications for users were approved. These are very important for the central securities depositories and direct participants to be able to carry out the necessary adaptations to their systems. 30 June 2012 is the deadline for CSDs to sign up to this initiative.

The modifications proposed in the reform of the Spanish clearing and settlement system will make it possible to fully adapt the settlement of Spanish markets to the model proposed by T2S. These reforms will make it easier to fit into this project and will facilitate the interoperability of the Spanish settlement system with systems existing in Europe. The reform of the Spanish system is expected to be fully operational as from June 2015.

Proposal for European regulation on OTC derivatives, central counterparties and trade repositories (EMIR)

This regulation is one of the main pillars of the European regulatory reforms following the financial crisis of 2008. Specifically, EMIR involves the creation of a harmonised European legislative framework in the area of post-trading activities. Its origin dates back to September 2009, when the G-20 leaders agreed «all standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by year-end 2012 at the latest. OTC derivative contracts should be reported to trade repositories.[1] In line with this agreement, the European Commission presented a legislative proposal in September 2010 to the European Parliament and to the Council, which is currently in the final stage of approval, and is expected to enter into force at the start of 2013.[2]

The planned activity schedule requires the preparation of a series of regulatory technical standards which will implement the relevant details of the new regulation. The technical standards, which must be approved by the European Commission, will be drawn up by the new European financial authorities, a process in which ESMA will play a central role.

Proposal for European Regulation on central securities depositories (CSDs)

Another important European regulatory project relating to post-trading is the harmonisation of legislation on CSDs. On 7 March 2012, the European Commission Presented to the European Parliament and the Council a proposal for a Regulation on improving security settlements in the European Union and in central securities depositories,[3] which includes, *inter alia*, the following measures: (i) harmonised shortening of the settlement period, which will be set at a maximum of two days after the securities are traded on a stock market or other regulated market, (ii) subjecting participants that failed to deliver securities on the intended settlement date

1 See the Pittsburgh Summit leaders' statement, of 25 September 2009, available at http://www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf

2 See http://ec.europa.eu/internal_market/financial-markets/derivatives/index_en.htm#proposals

3 Available at http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012PC0073:EN:PDF

to sanctions and the obligation to purchase their securities in the market and deliver them to their counterparties, (iii) strict prudential requirements relating to organisation and conduct of CSDs, subject to the authorisation and supervision of competent national authorities as to ensure their viability and to protect their users, (iv) establishment of a "Community passport" for authorised CSDs which will allow them to provide services in other Member States, (v) full freedom of users to choose any CSD established in the European Union, and (vi) right of CSDs of the EU to access any other CSD or other market infrastructures, such as trading venues or central counterparties, irrespective of the country where they are located.

Directive on legal certainty of securities holding and transactions

The European Commission has presented two documents for public consultation relating to the future Directive on legal certainty of securities holding and transactions, although as yet there is no formal proposal. Its main objective is to regulate the holding of book-entry securities. An important discussion has arisen in relation to this draft Directive since, although it aims to harmonise the legal effects of securities held on account from a functional point of view, some of its provisions still contain discrepancies with the regulation on securities property rights in some EU States.

This Directive aims to regulate the exercise of the rights of these investors against their intermediary, against the issuer and against third parties. It will also regulate, *inter alia*, the establishing of rights *in rem* on these securities and the insolvency of intermediaries. Given that the draft Directive does not aim to impose a specific registration model, the current Spanish system for registering book-entry securities can be maintained, although with some legislative amendments.

6.2 MEFFClear

In 2011, as in 2010, there was a sharp increase in the registration of transactions in this central counterparty, managed by MEFF Fixed Income. The level of activity almost trebled in terms of nominal volume registered compared with 2010 (see table 6.7), with a volume of transactions almost five times higher than the previous year. The increase in activity was especially marked in the second half of the year, which accounted for almost 65% of the volume and over 71% of the transactions. Unlike in 2010, bilateral trade accounted for almost all of the registered transactions. Transactions on SENAF only accounted for 0.3% of the total.

The increase in transactions was accompanied by a gradual reduction over the year in the average nominal amount per transaction and the average period of sell-buybacks/buy-sellbacks. The average nominal amount per transaction fell from 109 million euros in January to 89 million euros in December, while the average period of sell-buybacks/buy-sellbacks fell from 19 days to 7 days over the same period.

The relative weight of sell-buybacks/buy-sellbacks registered with the central counterparty in the total trading in the market of this type of instrument increased. The relative weight went from, on average, around 2.7% of the total in 2010 to almost 6.5% in 2011, although the monthly percentage increased gradually over the year up to more than 11% in December. This increase was especially noticeable in the case of entities which use repos to a greater extent for funding.

The increase in activity in this central counterparty was also related to the increase in the number of participants. Thirteen new members joined in 2011, bringing the total to 35. Of these, 33 carried out some type of activity, 12 more than in 2010.

MEFFClear updated various circulars relating to margins in 2011. These include those published at the end of the year relating to the update of haircuts and the circumstances for requesting extraordinary margins. Both circulars aim to improve the speed of the central counterparty in managing and hedging risk in situations of high volatility. The amendment of the circular on extraordinary margins introduced an automatic mechanism for updating reaction periods. In practice, this amendment involves an increase in margins in situations in which, over two consecutive days, the spread of Spanish public debt with different maturities rises above certain thresholds with regard to a basket of debt issues from different countries in the Eurozone.

Activity in MEFFClear TABLE 6.7

Million euro

	2010	2011
Nominal volume registered on the SENAF platform	155,380	2,137
Nominal volume in bilateral transactions	119,512	697,572
Total	**274,892**	**699,709**
Number of transactions on SENAF	1,188	26
Number of bilateral transactions	717	9,217
Total	**1,905**	**9,243**
Number of members	**24**	**35**

Source: MeffClear/CNMV.

III Financial institutions and investment services

7 Collective investment

7.1 Mutual funds

Assets managed by mutual funds totalled 132,369 million euros at the end of 2011, a fall of 8% on year-end 2010. As in the previous year, in which assets fell by 15.6%, the fall was mainly due to redemptions, which far exceeded subscriptions. Consequently, of the 11,526-million euro fall in the assets managed by mutual funds, 10,853 million euros were the result of net redemptions and 673 million euros were the result of losses in their portfolios.

As in 2010, aggregate development of assets managed in the sector was severely affected by the performance of the most conservative categories: fixed income, mixed fixed income, guaranteed equity and guaranteed fixed income. Assets managed in the first three categories fell, in total, by 15,775 million euros, mostly as a result of net redemptions. A sharp outflow of funds from these categories was partially offset by the positive performance of guaranteed fixed-income funds, whose assets managed rose by 8,879 million euros, of which 7,809 million euros corresponded to net subscriptions (see annex II.1). A significant part of the rest of the fall in assets as a result of net redemptions in conservative categories may have been transferred to term deposits in credit institutions.

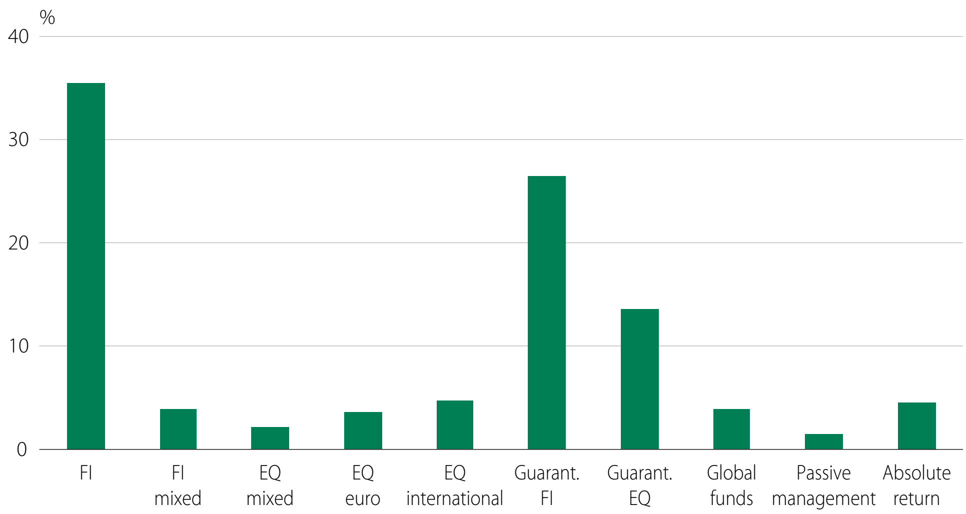
Assets managed in the other fund categories fell by 2,833 million euros, a decrease of 8.9% on the assets managed in 2010. Unlike the more conservative categories, most of the loss of assets, specifically 63.6%, was due to losses in the portfolios. The behaviour of net subscriptions in these funds was uneven. While the mixed equity and absolute return categories recorded net redemptions of 1,980 million euros and 2,208 million euros respectively, global funds enjoyed net subscriptions of 972 million euros (see annex II.1).

At the end of 2011, fixed-income funds accounted for 35.4% of the total assets managed by mutual funds, four percentage points down on the end of 2010. This category, together with the categories of mixed fixed income and guaranteed fixed income and guaranteed equity, accounted for 79.5% of total assets managed, which reflects investors' predominantly conservative profile (see figure 7.1).

As shown in figure 7.1 and annex II.4, there was considerable variety in the yields obtained by the different fund categories. Due to the adverse performance of international stock markets in 2011, including the Spanish stock market, euro and international equity funds suffered the highest losses. The more conservative categories performed better, especially fixed-income funds and guaranteed fixed-income funds. In aggregate terms, the yield of Spanish mutual funds stood at -0.1% in 2011.

With regard to the composition of the aggregate portfolio of mutual funds, in 2011 there was an increase in their amount and, above all, their relative weight, mainly as a result of the significant increase in investments in Spanish debt securities. However, there was a clear disinvestment of these types of securities by foreign funds (see table 7.1). The cash heading at the end of the year accounted for 4.4% of assets, 0.1% less than in the previous year, but clearly higher than the level seen in the years prior to the crisis and, at any event, higher than the minimum required by legislation (3%).

Mutual fund asset breakdown FIGURE 7.1



Source: CNMV.

Mutual fund asset breakdown[1] TABLE 7.1

Cash amounts in million euro

	2010	%	2011	%	% change 11/10
Assets	**143,918**	**100.0**	**132,369**	**100.0**	**-8.0**
Financial investment portfolio	**137,296**	**95.4**	**126,370**	**95.5**	**-8.0**
Spanish securities	89,632	62.3	90,395	68.3	0.9
Debt securities	68,574	47.6	72,076	54.5	5.1
Equity instruments	3,829	2.7	3,087	2.3	-19.4
UCITS	7,339	5.1	6,038	4.6	-17.7
Deposits in credit institutions	9,461	6.6	8,961	6.8	-5.3
Derivatives	429	0.3	232	0.2	-45.8
Other	0	0.0	0.0	0.0	0.0
Foreign securities	47,625	33.1	35,967	27.2	-24.5
Debt securities	30,337	21.1	22,714	17.2	-25.1
Equity instruments	8,386	5.8	7,037	5.3	-16.1
UCITS	8,405	5.8	6,061	4.6	-27.9
Deposits in credit institutions	108	0.1	23	0.0	-78.7
Derivatives	385	0.3	130.6	0.1	-66.1
Other	4	0.0	1	0.0	-69.4
Doubtful, delinquent or in litigation investments	39	0.0	8	0.0	-80.6
Cash	**6,531**	**4.5**	**5,838**	**4.4**	**-10.6**
Net balance (debtors/creditors)	**91**	**0.1**	**161**	**0.1**	**77.5**

Source: CNMV. (I) Excluding hedge funds and funds of hedge funds.

Management companies continued with the process of merging funds so as to rationalise the offer of funds available. Specifically, of the 207 mutual funds withdrawn from the CNMV registries in 2011, 204 were absorbed by another mutual fund. Furthermore, as in 2010, faced with the predominance of redemptions over subscriptions, management companies created a relatively low number of new funds. Consequently, the total number of mutual funds stood at 2,341 the end of the year, 88 fewer than in 2010 (see table 7.2). The average assets per fund fell from 59 million euros in 2010 to 56 million euros in 2011.

Registrations and de-registrations TABLE 7.2

	Firms registered at 31/12/10	Additions	De-registrations	Firms registered at 31/12/11
Total financial UCITS	**5,627**	**193**	**360**	**5,460**
Mutual funds	2,429	119	207	2,341
Investment companies	3,133	69	146	3,056
Funds of hedge funds	32	0	5	27
Hedge funds	33	5	2	36
Total real estate UCITS	**16**	**1**	**3**	**14**
Real estate mutual funds	8	0	2	6
Real estate investment companies	8	1	1	8
Foreign UCITS marketed in Spain	**660**	**113**	**34**	**739**
Foreign funds	379	65	18	426
Foreign companies	281	48	16	313
UCITS management companies	**123**	**1**	**10**	**114**
Depositories	**114**	**10**	**27**	**97**

Source: CNMV.

The number of unit-holders fell by 6.3% in 2011, down to 4,834,061. Fixed-income funds and guaranteed equity funds recorded the greatest reduction in unit-holders over the year, specifically 238,852 (14.7%) and 153,128 (14.4%), respectively. The number of unit holders in guarantee fixed-income funds rose by 252,577, an increase of 32% (for further details see annex II.1). Resident natural persons made up 97.3% of mutual fund investors and accounted for 80.5% of total assets, similar to the percentages in the previous two years. Average assets per unit-holder totalled 27,382 euros at the end of 2011, 1.8% down on 2010.

7.2 Investment companies (SICAVs)

There were 3,056 SICAVs registered with the CNMV at the end of 2011, 2.5% down on the end of 2010 (see table 7.2). The fall was mainly due to the high number of de-registrations (146), of which 13 were absorbed by another SICAV and 23 by mutual funds. Almost all SICAVs were listed on the Alternative Stock Market. The number of shareholders also fell, as can be seen in table 7.3.

As with mutual funds, the assets held by SICAVs fell in 2011 by 9.7% on 2010 (see table 7.3). This fall mainly came from net redemptions, which amounted to 1,566 million euros, and to a lesser extent, the losses recorded, which totalled 956 million euros. Both average assets per SICAV and average assets per shareholder fell significantly, down to 7.7 million euros and 56,953 euros, respectively.

Also in the case of SICAVs, the relative weight of the domestic portfolio in the total composition of the portfolio rose. This was associated with a 37.2% rise in investments in debt securities. Similarly, it should be pointed out that within the domestic portfolio, the amount invested in deposits in credit institutions fell by 1,953 million euros. There were significant falls in the most important investment headings in the foreign portfolio: 13% in debt securities, 14.3% in equity instruments and 14.9% in other UCITS. Furthermore, the cash heading rose by 0.4 percentage points up to 3.6% of total assets at the end of 2011, above the legal minimum of 3%.

Investment company asset breakdown TABLE 7.3

Cash amounts in million euro

	2010	%	2011	%	% change 11/10
Assets	**26,155**	**100.0**	**23,614**	**100.0**	**-9.7**
Financial investment portfolio	**25,187**	**96.3**	**22,522**	**95.4**	**-10.6**
Spanish securities	12,881	49.3	12,385	52.4	-3.8
Debt securities	5,436	20.8	7,461	31.6	37.2
Equity instruments	2,989	11.4	2,508	10.6	-16.1
UCITS	759	2.9	667	2.8	-11.8
Deposits in credit institutions	3,675	14.1	1,722	7.3	-53.2
Derivatives	-6	0.0	-5	0.0	8.0
Other	29	0.1	32	0.1	11.7
Foreign securities	12,298	47.0	10,131	42.9	-17.6
Debt securities	3,607	13.8	3,071	13.0	-14.9
Equity instruments	4,166	15.9	3,384	14.3	-18.8
UCITS	4,390	16.8	3,516	14.9	-19.9
Deposits in credit institutions	12	0.0	11	0.0	-10.5
Derivatives	120	0.5	145	0.6	21.5
Other	3	0.0	4	0.0	41.5
Doubtful, delinquent or in litigation investments	7	0.0	5	0.0	-20.7
Intangible fixed assets	**0**	**0.0**	**0**	**0.0**	**24.6**
Property, plant and equipment	**0**	**0.0**	**0**	**0.0**	**-34.2**
Cash	**832**	**3.2**	**855**	**3.6**	**2.7**
Net balance (debtors/creditors)	**135**	**0.5**	**237**	**1.0**	**75.0**
Pro memoria: no. of shareholders	**417,635**		**414,622**		**-0.7**

Source: CNMV.

7.3 Hedge funds

This collective investment segment is made up of two types of investment: hedge funds and funds of hedge funds. In both cases, the investment vehicle may be a fund or a company. The assets held by all these vehicles totalled 1,301 million euros at the end of 2011, a fall of 3% compared with 2010. The fall in assets mainly took place in funds of hedge funds, which saw total assets fall by 24.6%. This fall was partially offset by the increase in assets in other segments. Hedge funds and funds of hedge funds as a whole accounted for less than 1% of the total assets of Spanish UCITS at the end of the year. Hedge funds accounted for almost 51% of the assets in the segment, funds of hedge funds accounted for 29% and companies operating in both sectors accounted for the remaining 20%.

The main reason for the fall in assets in this segment in 2011 was the predominance of redemptions over subscriptions in funds of hedge funds. This was also partly due to the losses in the portfolio, which affected all types of hedge fund vehicles. It should be pointed out that hedge funds and funds of hedge funds obtained negative yields of 2.7% and 3% respectively. The increase in net subscriptions in hedge funds and funds of hedge funds partially offset the fall in assets in the segment (see annexes II.1 and II.4).

The changes in the number of unit-holders in 2011 were similar to the changes in assets. The number of unit-holders in hedge funds rose by 10.5%, while the number of unit-holders in funds of hedge funds fell by 8.6%. The average assets per unit-holder stood at around 355,642 for hedge funds and 150,596 for funds of hedge funds.

A total of 63 hedge funds were registered at the end of 2011, 2 fewer than in 2010. The breakdown by type of entity reveals different patterns in the development of the number of registered vehicles. The number of hedge funds rose by 3, up to 36, while the number of funds of hedge funds fell by 5, down to 27. Eight funds of hedge funds were in the process of liquidation at the end of the year.

7.4 Real estate UCITS

Real estate UCITS assets fell for the fourth consecutive year in 2011. At the end of the year, assets totalled 4,817 million euros, a fall of 25.1% on 2010. The main reason for the fall in assets was the disappearance of one important real estate fund which accounted for around 21.5% of the total assets of real estate UCITS.[1] Real estate funds as a whole underwent net redemptions of 1,450 million euros and obtained a negative yield of 3.2%. Their assets, which at the end of the year accounted for 93.3% of the assets in the sector, suffered a fall of 26.5% over the year. The assets of real estate companies fell by 2.8%, down to 313 million euros.

The number of investors in real estate UCITS fell by 59.7%. This fall was concentrated exclusively in real estate funds (-60.5%, down to 29,735 unit-holders), as the number of shareholders in real estate companies remained stable at 943. The significant fall in the number of unit-holders in real estate funds was partly due to the offer of liquidity windows so that unit-holders could carry out redemptions, with the exception of one fund which was in the process of liquidation. The liquidity needed to carry out these redemptions was provided by the financial groups which owned the respective management companies. This is why a significant part of the assets of these funds (between 15% and 98%) remained in the hands of these finan-

1 The only unit-holder which remained in the fund, which was the financial group which also contained the management company, transformed the fund, firstly into a real estate investment firm, and then into a public limited company.

cial groups. These facilities made it possible to regularise the situation of several real estate funds which had suspended redemptions in previous years.

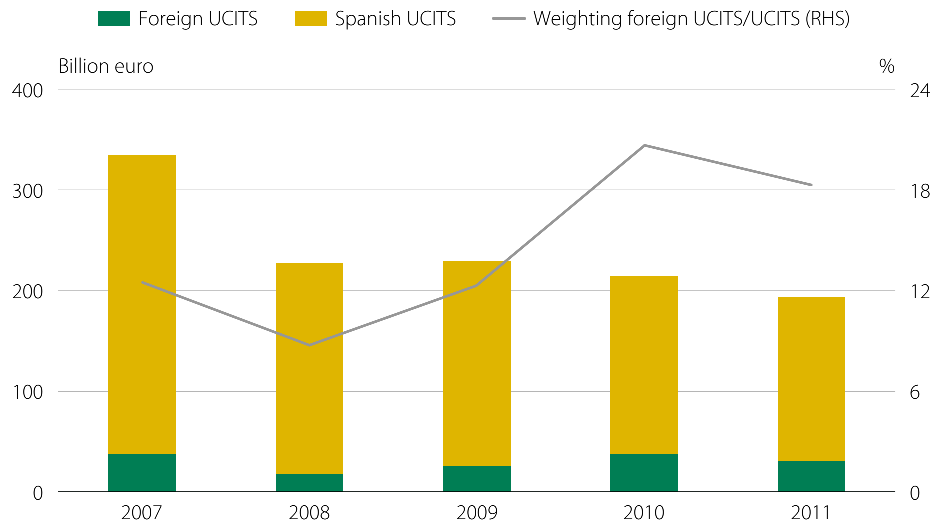
As mentioned above, one fund de-registered in 2011, bringing the number of entities at the end of the year down to 14 (6 real estate funds and 8 real estate companies). One of the real estate funds, which was in the process of liquidation, was de-registered in the first few months of 2012.

7.5 Foreign UCITS marketed in Spain

The volume of investments of foreign UCITS marketed in Spain fell by 18.3% in 2011, following two years of intense growth. At the end of year, investment by these entities in Spain amounted to 29,969 million euros. With this fall, which is greater than the fall in Spanish UCITS, the relative importance of the assets of foreign UCITS compared with the total assets of the Spanish UCITS fell over the year, from 20.6% in 2010 to 18.3% in 2011 (see figure 7.2).

However, the number of foreign schemes registered with the CNMV rose over the year from 660 at the end of 2010 to 739 at the end of 2011. Of these, 426 UCITS were funds and 313 were companies (see table 7.2). There were 113 new registrations during the year and 34 de-registrations. Most of the registrations corresponded to vehicles authorised in France, and consequently the number of French schemes reached a level very close to that of Luxembourg, the country with the highest number of vehicles registered in Spain (see annex II.5).

Assets of foreign UCITS marketed in Spain FIGURE 7.2



Source: CNMV.

7.6 UCITS management companies

At the end of 2011, there were a total of 114 UCITS management companies registered with the CNMV, as there was only one new registration and ten de-registrations over the year. The number of managed UCITS continued falling significantly as a result of the intense process of mergers between funds. At the end of the year, the assets managed by UCITS management companies totalled 164 billion euros, 7.6% down on

2010. This fall of 13.5 billion euros was, however, almost half the fall of the previous year. The assets managed remained highly concentrated. The three largest UCITS management companies accounted for 38.6% of assets of UCITS at the end of the year.

As shown in table 7.4, UCITS management commissions accounted for practically all the revenue received by these companies. These commissions fell by 8.7% over the year. This fall was much higher than that seen in 2010 (4.2%). As a whole, management commissions received accounted for 1% of the assets in 2011, a similar percentage to that recorded at the end of 2010.

The aggregate gross margin obtained by UCITS management companies fell by 4.2% in 2011, down to 611 million euros. This fall was basically due to the decrease in net commissions (commissions received less commissions paid). Despite the 2.6% fall in operating expenses, the net operating profit for management companies as a whole fell by 7.4% as a result of the increase in depreciation, amortisation and other provisions and the impairment losses suffered by assets, which had been very low in the previous year. Aggregate profit before tax of UCITS management companies fell by 6.4%, down to 274.6 million euros.

Income statements of UCITS management companies

TABLE 7.4

Cash amounts in thousand euro

	2010	2011	Change (%)
Interest margin	**17,223**	**24,739**	**43.6**
Net commissions	617,622	589,065	-4.6
Commission revenue	1,753,370	1,613,061	-8.0
UCITS management	1,644,818	1,502,403	-8.7
Front-end and back-end fees	34,124	30,409	-10.9
Other	74,427	80,249	7.8
Commission expenses	1,135,748	1,023,996	-9.8
Profit from net financial investments	1,610	-832	–
Earnings on capital instruments	1,026	851	-17.0
Net exchange differences	-120	41	–
Other products and net operating charges	555	-2,609	–
Gross profit	**637,917**	**611,255**	**-4.2**
Operating expenses	324,221	315,883	-2.6
Personnel costs	195,697	188,266	-3.8
General expenses	128,523	127,617	-0.7
Depreciation, amortisation and other provisions	14,105	16,216	15.0
Impairment losses on financial assets	82	1,852	2,147.0
Net operating profit	**299,509**	**277,305**	**-7.4**
Other gains/losses	-5,964	-2,658	55.4
Profit before tax	**293,545**	**274,647**	**-6.4**
Corporate income tax	86,067	80,600	-6.4
Profit from continuing operations	**207,478**	**194,048**	**-6.5**
Profit from discontinued operations	0	0	0.0
Net profit for the year	**207,478**	**194,048**	**-6.5**

Source: CNMV.

At the end of the year, the number of loss-making companies totalled 32, two fewer than in the previous year. Aggregate losses totalled a little over 11 million euros, practically half that recorded in 2010 and a quarter of the losses recorded in 2009 (see table 7.5).

Profit before tax, no. of loss-making firms and amount of loss TABLE 7.5

Cash amounts in thousand euro

	Profit before tax	No. of loss-making firms	Amount of loss
2007	771,149	19	5,273
2008	497,830	34	19,725
2009	235,857	31	41,379
2010	293,545	34	20,235
2011	274,647	32	11,256

Source: CNMV.

7.7 UCITS depositories

A total of 97 UCITS depositories were registered with the CNMV at the end of 2011, following 27 de-registrations and 10 new registrations over the year. As in 2010, a large part of the de-registrations were due to the current restructuring process in the financial sector.

By type of depository, the data corresponding to the end of 2011 reflects an increase in the market share of banks (from 63.8% to 70.4% of total assets under custody) and a fall in the share of savings banks (from 30.9% to 24.1%). This significant change is mainly due to the aforementioned restructuring process in the financial sector. The market share of broker-dealers and brokers remained at 3.3%, while the market share of credit cooperatives increased slightly, up to 2.2%.

8 Provision of investment services

8.1 Credit institutions[1]

At the end of 2011, a total of 204 Spanish credit institutions (banks, savings banks and credit cooperatives) were registered with the CNMV to provide investment services, 15 more than in 2010. In addition, 39 new foreign credit institutions authorised to provide investment services in Spain registered in 2011, bringing the total to 467 at the end of the year, 31 more than in 2010. 405 of the registered foreign credit institutions operated under the free provision of services regime and 62 through branches. Almost all these credit institutions were from Member States of the European Union.

Credit institution revenue for providing services in securities and marketing mutual funds rose slightly in 2011. However, as shown in table 8.1, the behaviour of the two types of commission was uneven. Revenue for providing services in securities rose by 8.6%, while revenue from marketing mutual funds fell by 5.2%. The weighting of these two headings in total revenue for commissions rose by 0.7 percentage points, up to 18.3%, still well below the 26.4% recorded in 2007

Credit institution revenue from the provision of securities services and marketing of non-bank financial products TABLE 8.1

Cash amounts in million euro

	2008	2009	2010	2011	% of CIs' total commissionsions
Securities services	**1,286**	**1,178**	**1,288**	**1,399**	**9.2**
Placement and underwriting	124	163	267	426	2.2
Securities trading	467	400	407	398	2.8
Administration and custody	601	533	524	509	3.6
Asset management	94	81	89	68	0.6
Marketing of non-bank financial products	**3,661**	**3,003**	**3,104**	**3,064**	**21.2**
Mutual funds	1,801	1,248	1,296	1,228	8.7
Pension funds	482	446	470	462	3.1
Insurance	1,291	1,204	1,242	1,252	8.5
Other	87	104	95	122	0.8
Pro memoria:					
Total revenue from commissions	16,242	14,677	14,466	14,343	30.4

Source: Bank of Spain.

1 Credit institutions are allowed to provide investment services provided that the legal regime under which they operate, their articles of association and a specific authorisation allow them to do so. The CNMV supervises their activities in this area.

Credit institutions play a central role in providing investment services. In 2011, credit institutions accounted for almost all the commissions for marketing mutual funds, for securities administration and custody and for placement and underwriting (see table 8.2). However, broker-dealers and brokers held a leading position in securities trading, accounting for 58.7% of commissions received.

Commissions received for investment services TABLE 8.2

Cash amounts in million euro

	Broker-dealers and brokers	Portfolio management companies	Credit institutions (CIs)	Total	% CI/total
Placement and underwriting	10	–	426	436	97.7
Securities trading	566	–	398	964	41.3
Asset management	29	17	68	114	59.6
Administration and custody	22	–	509	531	95.9
Mutual fund marketing	81	0	1,228	1,309	93.8
Total investment services	708	17	2,629	3,354	78.4

Source: CNMV and Bank of Spain.

8.2 Investment services firms[2]

8.2.1 Broker-dealers and brokers

Authorisation and registration

At the end of 2011, a total of 94 broker-dealers and brokers were registered with the CNMV, one fewer than in 2010. As shown in table 8.3, two firms registered and three firms de-registered over the year. The new registrations corresponded to independent entities, while one of the de-registrations corresponded to an independent entity and the other two corresponded to entities belonging to foreign financial groups (see annex II.8).

In 2011, there were also several significant changes in the controlling interests of broker-dealers and brokers. Specifically, there were eight changes of control, of which seven affected broker-dealers. In five cases, the buyer was a Spanish financial institution (see annex II.9).

2 In accordance with Article 64 of the Securities Market Act, investment services firms cover broker-dealers, brokers, portfolio management companies and financial advisory companies.

Registrations and de-registrations TABLE 8.3

	Firms at 31/12/10	Registrations	De-registrations	Firms at 31/12/11
Spanish firms	**95**	**2**	**3**	**94**
Broker-dealers	50	1	2	49
Stock market members	36	0	1	35
Non-members	14	1	1	14
Brokers	45	1	1	45
Stock market members	6	0	0	6
Non-members	39	1	1	39
Foreign firms	**2,184**	**298**	**105**	**2,377**
With a branch	39	5	8	36
Free provision of services	2,145	293	97	2,341
Pro memoria:				
Representatives	7,197	667	621	7,243

Source: CNMV.

Very few broker-dealers and brokers registered in Spain made use of the community passport in order to operate in other European Union countries. At the end of 2011, six institutions had branches in other countries (United Kingdom, Italy, Sweden and France), three more than in 2010. There were 43 institutions authorised at the end of the year under the free provision of services regime, six more than in 2010. There were no changes in the list of countries in which these institutions provide services (see annex II.10).[3]

As shown in table 8.3, in 2011, 298 institutions authorised in other Member States informed the CNMV of their intention to begin providing investment services in Spain. Most of these communications corresponded to institutions under the free provision of services regime, which increased in number from 2,145 in 2010 to 2,377 in 2011. The number of foreign institutions with a branch fell from 39 to 36. Most of the new registered institutions are authorised in the United Kingdom (see annex II.7).

Profitability and solvency

In 2011, the sector once again saw a significant fall in profit before tax. Considering broker-dealers and brokers together, aggregate profit before tax totalled 225.4 million euros, a fall of 21.7% on the previous year. As in 2010, the fall was greater in broker-dealers (22%) than in brokers (13.8%). However, 40.9% of brokers and broker-dealers improved their results compared with 2010. Broker-dealers accounted for 96.3% of profit before tax for the sector in 2011.

As shown in table 8.4, the fall in the profits of broker-dealers was mainly due to the reduction in net commissions received for providing services to third parties and, to a lesser extent, to the fall in the interest margin and the increase in operating expenses. Gross margin, which measures the net revenue generated by the ordinary activities of broker-dealers, fell by 7.7% on 2010.

3 A single firm may provide services in more than one country.

The provision of services to third parties, which is the main source of revenue for broker-dealers, provided 74.4% of the gross margin in net terms. The revenue of these activities fell from 533.8 million euros in 2010 to 490.5 million euros in 2011, as commissions received fell and commissions paid increased. Most of the commissions received by broker-dealers still come from order processing and execution. These commissions fell by 4.6% mainly due to the lower brokered volume in Spanish equity markets. With regard to other commissions received, given the relative weighting of this heading, there was a noteworthy fall in the commissions for marketing UCITS (9%), in line with the development of the mutual fund market (see chapter 7).

Income statement for broker-dealers[1]

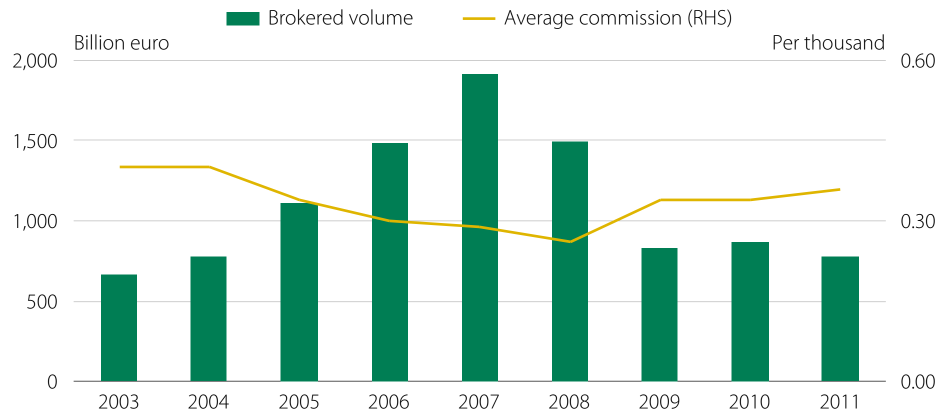
TABLE 8.4

Cash amounts in thousand euro

	2010	2011	% change 11/10
Interest margin	**102,054**	**91,542**	**-10.3**
Net commissions	**533,858**	**490,517**	**-8.1**
Commission revenue	798,152	776,641	-2.7
Order processing and execution	555,207	529,711	-4.6
Placement and underwriting	8,499	7,446	-12.4
Deposit and entry of securities	22,367	21,061	-5.8
Marketing UCITS	65,487	59,588	-9.0
Portfolio management	13,880	16,186	16.6
Investment advisory services	49,433	55,024	11.3
Other	83,278	87,625	5.2
Commission expenses	264,294	286,124	8.3
Profit from financial investments	**48,588**	**271,955**	**459.7**
Net exchange differences	24,445	-198,307	–
Other products and operating charges	1,635	3,952	141.6
Gross profit	**710,580**	**659,659**	**-7.1**
Operating expenses	415,433	426,672	2.7
Staff costs	270,465	278,950	3.1
General expenses	144,968	147,722	1.9
Depreciation, amortisation and other provisions	6,006	21,532	258.5
Impairment losses on financial assets	12,888	4,076	-68.4
Net operating profit	**276,253**	**207,379**	**-24.9**
Other gains/losses	2,265	9,861	335.3
Profit before tax	**278,519**	**217,240**	**-22.0**
Corporate income tax	81,685	68,687	-15.9
Profit from continuing operations	**196,834**	**148,553**	**-24.5**
Profit from discontinued operations	0	0	–
Net profit for the year	**196,834**	**148,553**	**-24.5**

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

Broker-dealers which are stock market members: brokered volume and average effective commission in Spanish equity FIGURE 8.1



Source: CNMV.

Operating expenses of broker-dealers rose by 2.7%, in line with the rise recorded in 2010. There was a marked increase in the heading of depreciation, amortisation and other provisions, which was partially offset by the improved performance of net impairment losses on financial assets. Accordingly, the net operating profit fell by 24.9%, down to 207.4 million euros.

As has increasingly been the case in recent years, a small number of firms generated most of the profits in this sub-sector. Specifically, five broker-dealers with the highest profits accounted for 73.5% of the total. Despite the overall fall in profits, profits for around 35% of broker-dealers increased. Furthermore, the number of loss-making broker-dealers stood at 13, three more than in 2010. In addition, the total amount of losses before tax amounted to 21.3 million euros, approximately double that of the previous year. Eleven of the 13 loss-making broker-dealers at the end of the year were independent firms.

Unlike broker-dealers, brokers may not invest on their own account. Therefore, their revenue almost exclusively comes from providing services to third parties. Brokers which are stock market members obtain most of their revenue from processing and executing orders, while most non-member brokers, which make up the majority of this sub-sector, have tended to specialise in certain services. Most brokers are independent firms (30 out of a total of 45), whereas broker-dealers are mostly controlled by a financial group (only 13 firms are independent out of a total of 49).

As shown in table 8.5, in 2011 the aggregate profit before tax of brokers fell by 13.8% to 8.2 million euros. The main source of revenue for brokers - commissions received for providing business services - totalled 112.3 million euros, 10.9% down on the previous year. This fall in revenue was generalised in the main types of commissions, except those from providing investment advice, which increased significantly. The commissions received which fell most both in relative terms (36.6%) and in absolute terms (7.1 million euros) were those resulting from portfolio management. The most important headings - commissions for processing and executing orders and commissions from marketing UCITS[4] - suffered falls of

4 Commissions for processing and executing orders accounted for over 78.2% of commission revenue for brokers which are members of the stock market and 27.7% for non-members.

4.8% and 10.7%, respectively. As a consequence of the above, the aggregate gross margin of these firms fell by 9.5%. Even though brokers incurred lower operating and depreciation and amortisation expenses, net operating profit fell by 18% on the previous year.

Income statement for dealers[1]

TABLE 8.5

Cash amounts in thousand euro

	2010	2011	% change 11/10
Interest margin	**1,629**	**2,479**	**52.2**
Net commissions	**109,165**	**97,885**	**-10.3**
Commission revenue	126,055	112,350	-10.9
Order processing and execution	38,176	36,354	-4.8
Placement and underwriting	2,748	2,870	4.5
Deposit and entry of securities	366	440	20.2
Marketing UCITS	23,946	21,381	-10.7
Portfolio management	19,489	12,351	-36.6
Investment advisory services	2,790	5,349	91.7
Other	38,540	33,605	-12.8
Commission expenses	16,890	14,465	-14.4
Profit from financial investments	**456**	**623**	**36.8**
Net exchange differences	-3	78	–
Other products and operating charges	-1,413	-1,617	-14.5
Gross profit	**109,834**	**99,448**	**-9.5**
Operating expenses	97,582	89,736	-8.0
Staff costs	58,886	53,550	-9.1
General expenses	38,697	36,186	-6.5
Depreciation, amortisation and other provisions	2,817	1,943	-31.0
Impairment losses on financial assets	-23	12	–
Net operating profit	**9,457**	**7,757**	**-18.0**
Other gains/losses	19	412	2.103.9
Profit before tax	**9,476**	**8,169**	**-13.8**
Corporate income tax	3,024	2,681	-11.3
Profit from continuing operations	**6,452**	**5,488**	**-14.9**
Profit from discontinued operations	0	0	–
Net profit for the year	**6,452**	**5,488**	**-14.9**

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

The individual performance of brokers was not evenly spread. A significant number of these firms, specifically 45.4% of those registered both at the end of 2010 and at the end of 2011 improved their profit/loss before tax. The number of loss-making firms rose from 12 to 17, of which seven had already suffered losses in the previous year. Despite the increase in the number of loss-making firms, losses before tax fell to 4.5 million euros, compared with almost 5 million euros in 2010 (see table 8.6).

Profit before tax, no. of loss-making firms and amount of the losses before tax

TABLE 8.6

Cash amounts in thousand euro

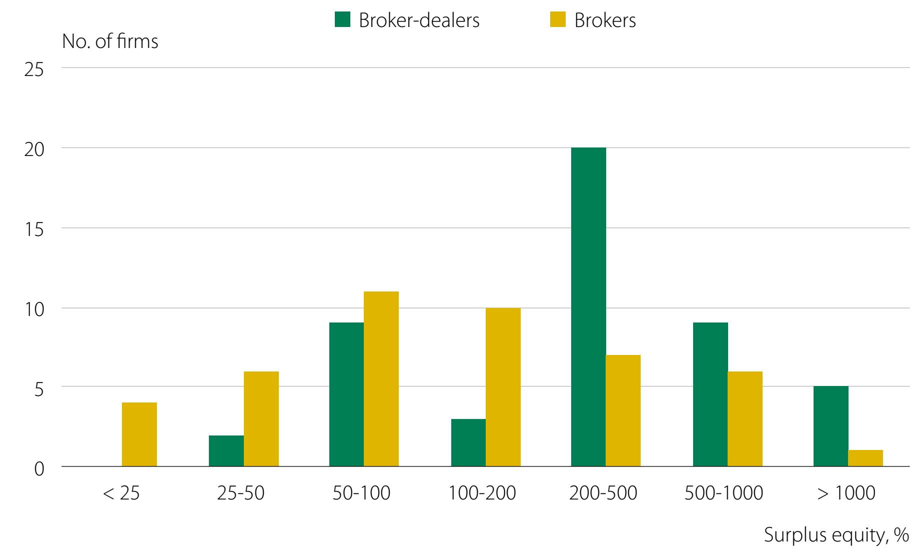
	Profits before tax[1]	No. of loss-making firms	Amount of the losses before tax
Broker-dealers			
2008	502,893	8	-13,356
2009	349,962	10	-21,832
2010	278,519	10	-10,682
2011	217,240	13	-21,375
Brokers			
2008	22,408	17	-9,911
2009	10,119	15	-8,792
2010	9,476	12	-5,057
2011	8,170	17	-4,513

Source: CNMV. (1) Includes results from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

The solvency of the sector as a whole, which was already very high at the start of the year, was strengthened in 2011. Specifically, at the end of the year, the equity surplus for the sector was 4.3 times higher than the capital requirements, compared with 3.2 times higher in 2010. These margins were generally higher in broker-dealers than in brokers. While the equity surplus ratio for broker-dealers was 4.4, for brokers it was 2.9. With regard to the distribution of this ratio, figure 8.2 shows that most broker-dealers at the end of 2011 had surplus equity greater than 200%. In contrast, almost two thirds of brokers were below that threshold. It is important to highlight that, as in 2010, no firm had an equity deficit in 2011.

Surplus equity over minimum requirements for broker-dealers and brokers

FIGURE 8.2



Source: CNMV.

8.2.2 Portfolio management companies

At the end of 2011, six portfolio management companies were registered with the CNMV, the same number as in 2010. The assets managed by portfolio management companies totalled 3,026 million euros, 4.7% up on 2010. The main revenue heading, portfolio management commissions, fell by 20.9%. However, the significant fall in operating expenses (22.5%) led to an increase in net operating profit of 32.1% (see table 8.7). Aggregate profit before tax totalled 1.5 million euros, 27.9% up on the previous year. One firm recorded losses for the fourth consecutive year.

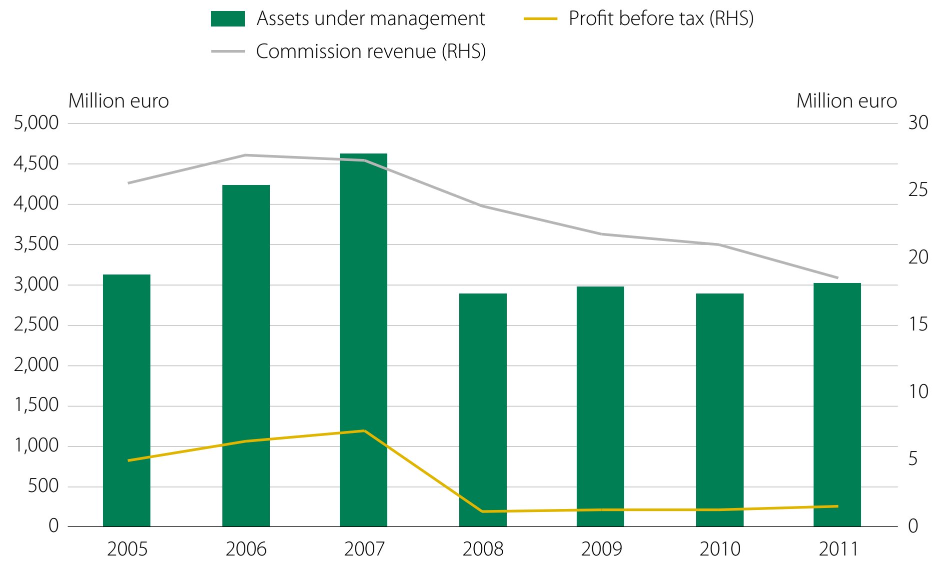
Income statements of portfolio management companies[1] TABLE 8.7

Cash amounts in thousand euro

	2010	2011	% change 11/10
Interest margin	**407**	**682**	**67.4**
Net commissions	**10,097**	**7,987**	**-20.9**
Commission revenue	20,994	18,476	-12.0
Marketing UCITS	18,020	16,582	-8.0
Portfolio management	34	0	-100.0
Investment advisory services	1,160	1,894	63.3
Other	1,779	0	-100.0
Commission expenses	10,897	10,489	-3.7
Profit from financial investments	**51**	**186**	**265.6**
Net exchange differences	9	30	252.5
Other products and operating charges	13	-40	–
Gross profit	**10,577**	**8,845**	**-16.4**
Operating expenses	9,305	7,211	-22.5
Staff costs	4,959	3,450	-30.4
General expenses	4,346	3,761	-13.5
Depreciation, amortisation and other provisions	118	109	-7.5
Impairment losses on financial assets	0	0	–
Net operating profit	**1,154**	**1,525**	**32.1**
Other gains/losses	38	0	-100.0
Profit before tax	**1,192**	**1,525**	**27.9**
Corporate income tax	254	484	90.9
Profit from continuing operations	**939**	**1,041**	**10.9**
Profit from discontinued operations	0	0	–
Net profit for the year	**939**	**1,041**	**10.9**

Source: CNMV. (1) Includes information from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

Assets under management, commission revenue and profit before tax of portfolio management companies FIGURE 8.3



Source: CNMV.

In 2011, all portfolio management companies continued to amply exceed minimum equity requirements. At the end of 2011, portfolio management companies had an overall equity surplus amounting to 212%.

8.2.3 Financial advisory firms

Financial advisory firms are a type of investment services firm which began operating in 2009 under Spanish legislation which transposed the Directive on Markets in Financial Instruments (MiFID). Financial advisory firms exclusively make personalised recommendations for their clients about their transactions with financial instruments.

At the end of 2011, 82 financial advisory firms were registered with the CNMV, an increase of 30 firms compared with the end of 2010. One of these firms was directly related to a broker, while the others were independent firms. Total assets under advisory services amounted to 17,206 million euros. Although almost all the advisory service contracts signed corresponded to retail clients (95.9% of the 3,789 contracts), these contracts only accounted for 12.6% of the assets under advisory services (see table 8.8).

Financial advisory firms: profit before tax and number of loss-making firms[1]

TABLE 8.8

	2010	2011	% change 11/10
Number of contracts			
Retail clients	2,345	3,635	55.0
Non-retail clients	86	154	79.1
Total	**2,431**	**3,789**	**55.9**
Assets under advisory services (thousand euro)			
Retail clients	1,715,084	2,168,957	26.5
Non-retail clients	14,087,659	15,037,374	6.8
Total	**15,802,743**	**17,206,331**	**8.9**

Source: CNMV. (1) Includes results from all firms which were included in the CNMV registries at any time during the year, and not only at year-end.

9 Venture capital firms

9.1 Venture capital firms registered with the CNMV

2011 saw a slight increase in the number of venture capital firms, with 336 firms registered, of which 143 were venture capital companies, 114 were venture capital funds and the rest were management companies of venture capital firms. In total, there were 19 registrations and 16 de-registrations (see table 9.1).

In line with other years since 2008, venture capital companies accounted for most of the de-registrations (14), due to their limited activity or in order to avoid non-compliance with the mandatory investment ratios set by the Venture Capital Firms Act. 65% of the de-registrations corresponded to firms which had been registered for less than five years, three of which focused on the photovoltaic and wind energy sector.

With regard to registrations, there were seven new venture capital companies, seven venture capital funds and five venture capital firm management companies. Consequently, there were seven fewer venture capital companies than in 2010, six more venture capital funds than in 2010 and four more venture capital firm management companies than in 2010.

Registrations and de-registrations TABLE 9.1

Type of firm	Firms registered at 31/12/10	Registrations	De-registrations	Firms registered at 31/12/11
Venture capital management companies	75	5	1	79
Venture capital companies	150	7	14	143
Venture capital funds	108	7	1	114
Total VCF	**333**	**19**	**16**	**336**

Source: CNMV.

The main characteristics of the new firms registered in 2011 are as follows:

– As in the last four years, most new firms (venture capital funds and companies) adopted the simplified system (70%).

– The new venture capital firms invested in recently-established companies or those in growth stages and, therefore, the operations were mainly registered in the start-up and expansion segments.

– The new firms mainly invested in the technological, industrial, energy and health sectors, as well as in restructuring of SMEs in difficulties.

- With regard to the geographical location of investments, the new vehicles mostly focused on Spain, although in some cases investment was limited to a specific Autonomous Region. Similarly, two of the new funds focus their investment on companies operating in Latin America and India respectively

- Another noteworthy aspect is the presence, once again, of the public sector, through venture capital firms promoted by the Autonomous Regions or by other types of public bodies.

9.2 Sector data

According to primary data from the ASCRI (Spanish Venture Capital Association), investment in venture capital in Spain in 2011 totalled 3,249 million euros, 7% down on the previous year, although more than double the figure recorded in 2009, which was the worst year for the sector since the start of the financial crisis.

Investment activity was much more dynamic in the first part of 2011. Two thirds of the investment for the year was carried out in the first seven months of 2011. International funds accounted for 60% of the invested volume and for the five largest operations closed over the year, which accounted for 47% of total investment.

Leveraged deals accounted for two thirds of the total invested volume in 2011. 62% of these deals took place in the expansion segment. The midmarket once again took on greater importance, with 39 deals closed in the year, of which 31 were carried out by Spanish operators.

The funds raised in 2011 amounted to 3,258 million euros, a fall of 26% on 2010. 17% was raised by Spanish firms, while the remaining 83% corresponded to international funds.

Divestments totalled 1,557 million euros, a very similar volume to that recorded in 2010, although spread over a significantly higher number of divestment operations (556 operations in 2011 compared with 337 in 2010).

IV The regulation and supervision of securities markets

10 Issuers' financial and corporate governance disclosures

10.1 Financial disclosures

10.1.1 Audit reports and financial statements[1]

Issuers of securities listed on an official secondary market or on any other regulated market domiciled in the European Union, when Spain is the Member State of origin, are obliged to send to the CNMV the audit report accompanied by the annual financial statements, the management report and the statements of responsibility for their content, with the exceptions provided for in the rules.[2]

Main characteristics of the information presented

The number of audit reports on annual financial statements for 2010 received by the CNMV during 2010 totalled 966, a similar number to the previous year. The number of audit reports on the financial statements of issuers of securities with shares admitted to trading fell by 5.5%, due to the delistings and mergers of listed entities which took place in 2010, while the number of audit reports of asset securitisation trusts rose by 5.1%. The CNMV also received a total of eight special audit reports.

The audit reports corresponding to the annual financial statements of 2010 show a significant decline in the number of qualified reports (see table 10.1), due to the new regulatory framework applicable to audit reports, whereby the existence of significant uncertainties should not affect the auditors' opinion, provided that they are adequately reported in the notes to the financial statements.[3] However, the auditors should include an emphasis of matter (EOM) paragraph if there are significant going concern

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1 This information is available on the CNMV website at www.cnmv.es in the section "Registration files", under the headings "Audited annual accounts", "Issuers Filings: Information under regulation and other", and "Annual accounts".

2 See Article 35 of the Securities Market Act 24/1988. Entities exempt from this obligation are "[...] Member States of the European Union, Autonomous Regions, local authorities and other similar entities […], international public organisations of which at least one Member State of the European Union is a member, the European Central Bank, and the national central banks of Member States […]; and issuers which only have outstanding issues of debt securities listed on an official secondary market […] whose per unit value is at least 50,000 euros [...]".

3 Law 12/2010, of 30 June, on Account Auditing and Resolution of 21 December 2010, of the Accounting and Auditing Institute, publishing an amendment to Section 3 of the Technical Auditing Standards, published by Resolution of 19 January 1991, on Technical Reporting Standards concerning audit reports issued subsequent to 1 January 2011.

uncertainties and, in the case of other uncertainties, they should evaluate their mention. The auditor issued a denial of opinion in one company which has been suspended from trading since the reference date of the annual financial statements.

With regard to the reason for qualifications, the number of audit reports with errors or non-compliances with generally accepted accounting principles and standards (opinion with exceptions) remained the same as the previous year. Initially, there were nine audit reports on accounts for 2010 with exceptions, corresponding to five securities issuers. However, after deficiency letters were sent by the CNMV, two issuers reformulated their financial statements.

As has been mentioned, since the amendment of the Audit Act there are no longer any qualifications due to uncertainties. However, 46 audit reports contained an emphasis of matter paragraph highlighting an uncertainty (versus 57 reports with qualifications due to uncertainties in audits on financial statements for 2009).

Summary of the audits of issuers received by the CNMV TABLE 10.1

	2008		2009		2010	
	No.	%	No.	%	No.	%
Audits received by the CNMV	**915**	**100**	**965**	**100**	**966**	**100**
Separate accounts	721	78.8	776	80.4	800	82.8
Consolidated accounts	194	21.2	189	19.6	166	17.2
Special reports under Ministerial Order 30/9/92	56		54		8	
Audit opinion						
Unqualified opinion	860	94.0	906	93.9	959	99.3
Qualified opinion	52	5.7	57	5.9	6	0.6
Denial of opinion or adverse opinion	3	0.3	2	0.2	1	0.1
Types of qualification						
Audits with exceptions	6	0.7	6	0.6	6	0.6
Audits with uncertainties and other	52	5.7	57	5.9	–	–
Audits with scope limitation opinions	6	0.7	4	0.4	1	0.1
Effects of the exceptions						
Effects of exceptions on profit						
Audits with positive effects	2	0.2	0	0.0	2	0.2
Audits with negative effects	0	0.0	4	0.4	1	0.1
Effects of exceptions on equity						
Audits with positive effects	0	0.0	2	0.2	0	0.0
Audits with negative effects	2	0.2	0	0.0	0	0.0
Nature of the uncertainties						
Going concern	35	3.8	34	3.5	–	–
Asset recovery	19	2.1	25	2.6	–	–
Other uncertainties	17	1.9	19	2.0	–	–
Nature of emphasis of matter paragraphs						
Going-concern related					30	3.1
Asset-recovery related					12	1.2
Related to other circumstances					19	2.0

Source: CNMV.

Scope limitation opinions are especially worrying qualifications because they mean that the auditor did not have enough information to form a proper opinion on the accounts. Initially there were nine audit reports on the accounts for 2010 with scope limitations, corresponding to six securities issuers. In response to deficiency letters sent by the CNMV, and once the procedures set out in the Technical Auditing Standards were applied, express statements were received from the auditors removing the limitations in three of these reports, corresponding to two entities. Scope limitations were also removed in another four audit reports corresponding to two entities after they had reformulated their financial statements.

Actions of the CNMV

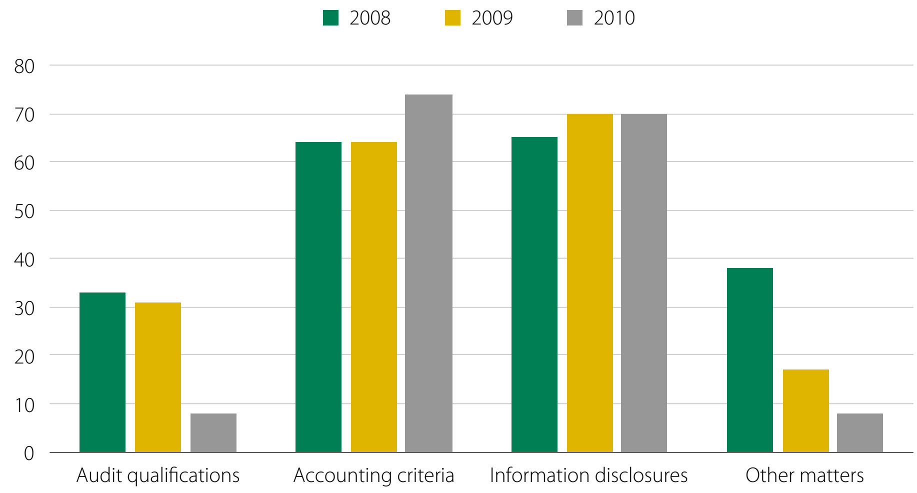
The Securities Market Act entrusts the CNMV with the task of verifying that the periodic public information included in annual financial statements has been prepared in accordance with applicable standards. In order to perform this duty, the CNMV is empowered to require listed companies to publish additional information, reconciliations, corrections or, if necessary, reformulations of the published financial information. In this process it is normal for the CNMV to contact issuers and ask them, by means of a deficiency letter, for further information on particular issues. A total of 77 issuers (excluding asset securitisation trusts) were sent such deficiency letters in 2011, either due to audit qualifications or to request further information concerning the annual financial statements for 2010.

For its supervision of annual financial statements, the CNMV establishes two levels of review. Firstly, all reports received by the CNMV are submitted to a formal review focusing on the financial statements and management reports for the year in question, in this case, 2010, which includes, but is not limited to, the verification of the following aspects: (i) that the statement of responsibility for the content of the annual financial statements is signed by the directors (Article 8 of Royal Decree 1362/2007); (ii) that the management report includes the Annual Corporate Governance Report (Article 526 of the Capital Companies Act); (iii) that the notes to the financial statements include disclosures of any conflicts of interest required by Article 229 of the Capital Companies Act, and details of the average payment period to suppliers in commercial transactions, in accordance with the provisions of the ICAC Resolution of 29 December 2010; and (iv) that there are no material differences between the annual financial statements and the financial reporting of the second half-year submitted previously.

Secondly, the CNMV performs a substantive review on a certain number of annual audited financial statements. Entities are chosen to be the subject of this substantive review on the basis of a mixed selection technique based on risk and random rotation, in conformity with the principles set out in ESMA standard number 1 on financial reporting.

Figure 10.1 shows the main reasons why deficiency letters were sent to listed companies (excluding asset securitisation trusts) and the three-year trend for the sending of such letters.

No. of deficiency letters sent to issuers (excluding asset securitisation trusts), broken down by reason[1] FIGURE 10.1



Source: CNMV. (1) The deficiency letters include those sent to issuers subject to formal and substantive review.

In accordance with ESMA recommendations, the CNMV publishes an annual report on the supervision of the annual financial statements received each year, which sets out the main incidents detected in the review of annual financial statements and those for interim periods, and identifies the areas of the financial statements which, due to their interest, will be subject to closer scrutiny in the following year's review process. With regard to the audit reports corresponding to 2010, table 10.2 shows which of all the aspects identified in the 2009 supervision report gave rise to the largest number of deficiency letters requesting information from listed companies.

Information required in relation to accounting criteria and disclosures TABLE 10.2

No. of deficiency letters	Accounting criteria	Disclosures
Valuation criteria applied to financial instruments and main risks and uncertainties (IFRS-7, IAS-32, IAS-39)	19	41
Business combinations and consolidation (IFRS-3, IAS-27, IAS-28, IAS-31)	19	28
Recording of the impairment of assets (IAS-36)	18	32
Valuation of inventory and property investments (IAS-2, IAS-40)	2	14
Depreciation criteria for property, plant and equipment (IAS-16)	5	9
Concession agreements (IFRIC 12) and revenue recognition and percentage of completion criteria (IAS-18; IAS-11)	12	9
Segmented information (IFRS-8)	2	11
Transactions with related parties (IAS-24)	–	18
Situations related with liquidity problems	–	11
Corporate income tax (IAS-12)	5	24

Source: CNMV.

During 2011, audit reports on the annual financial statements of 534 securitisation trusts were received, giving rise to the sending of 24 deficiency letters. It should also be noted that, during its review of annual financial statements, the CNMV held work meetings with 51 listed entities and with each of the four major auditing firms.

For the purpose of facilitating the dissemination of financial information, the CNMV publishes on its website (www.cnmv.es) the full text of annual financial statements, management reports, and the audit reports on issuing companies, both separate and consolidated. It also disseminates a summary of audit qualifications, the additional information that issuers send in response to deficiency letters, and special audit reports. Furthermore, the CNMV publishes the supervision report mentioned earlier.

During 2011, a new procedure was implemented which improves on and simplifies the process of receipt and registration of annual financial reporting. This initiative is offered as an option to issuers and enables them to send their annual financial statements, management report and audit report by electronic means without the need to send hard copies of the aforementioned documentation, thereby making it more readily available to the markets and investors.

As a result of the deficiency letters sent, three issuers have reformulated their individual and consolidated financial statements in order to remove audit qualifications and two entities are going to restate the comparative information in their next annual financial statements, in accordance with the provisions of IAS 8 (Accounting policies, changes in accounting estimates and errors). In addition, as a result of the reviews performed, a number of breaches of the current principles of recognition and valuation were identified which, due to their immateriality, did not require the three issuers involved to reformulate their annual financial statements. Instead they must rectify the non-compliances in the financial statements for 2011 by restating the comparative information.

10.1.2 Half-yearly and quarterly reporting

Issuers of securities listed on an official secondary market or on any other regulated market domiciled in the European Union, when Spain is the Member State of origin, are obliged to send financial information to the CNMV on a quarterly or half-yearly basis.[4] The CNMV constantly monitors these interim financial disclosures to detect any issues that might raise doubts as to the proper application of accounting standards. The review of this information has a narrower scope than that of the annual financial statements and is performed during the month following its receipt by the CNMV. As a result of the audit work performed last year, deficiency letters were sent to eight entities requiring them to supplement or amend the information published.

In 2011, 36.2% of the issuers (33.7% the previous year) subjected their abridged interim financial statements for the first half-year to a full audit or limited review by their auditors. This percentage rises to 84.8% (82.3% in 2010) for entities belonging to the Ibex 35.

Of the issuers which subjected their abridged interim financial statements to some kind of review by auditors, only one had a scope limitation qualification. However, it should be noted that the reports on six entities contained going concern emphasis of matter paragraphs. In the case of four companies these paragraphs had already been included in the audit reports on their annual financial statements for 2010.

4 Article 35 of the Securities Market Act 24/1988.

Finally, it is important to note that on 30 January 2012 the CNMV published a set of recommendations aimed at improving the quality of the interim management statements which companies with shares admitted to trading send to the security markets on a quarterly basis.[5]

10.1.3 Other important issues related to financial reporting

Pro forma financial statements

On 10 February 2012, the CNMV published a guide with a number of general criteria for preparing *pro forma* financial statements for publication in listing prospectuses and for other corporate transactions (mergers, acquisitions, etc.).[6] Appended to the guide is the international standard ISAE 3420 issued by the IAASB[7] and published on 20 December 2011.

Information on financial reporting internal control systems

The Sustainable Economy Act 2/2011 brought in new disclosure obligations for listed public limited companies. In particular, this law modified the content of the Annual Corporate Governance Report. Among other matters, it requires this report to include a description of the main characteristics of the internal control and risk management systems pertaining to the financial reporting process. However, given that the ministerial order that should have entrusted to the CNMV the specific development of these disclosures has not yet been published, the CNMV sent a letter to the issuers instructing them how to prepare the Annual Corporate Governance Report for 2011 so as to incorporate the content stipulated in the Sustainable Economy Act which is not specifically called for in the points of the model still in force.

Treatment of sovereign debt in financial reporting

In the exercise of its responsibilities in the field of financial reporting for the purpose of ensuring the effective and consistent application of European legislation on securities and markets, on 28 July 2011 ESMA published the first of its documents (*ESMA Statement on disclosures related to sovereign debt to be included in IFRS financial statements*) which relates to the disclosures regarding sovereign debt which must be included in financial statements prepared in accordance with international financial reporting standards (IFRS).

In order to apply IFRS properly, ESMA stated that it was necessary to ensure that listed companies provide adequate disclosure of information regarding their level of

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5 The complete document can be found at http://www.cnmv.es/loultimo/recomendaciones%20trimestral.pdf. See also box 3 of the CNMV report "Securities markets and their agents: situation and outlook", corresponding to the first quarter of 2012, available at http://www.cnmv.es/DocPortal/Publicaciones/Mercados/SecuritiesMarkets_I-2012en.pdf

6 The complete document can be found at http://www.cnmv.es/Portal/verDoc.axd?t={13276c2d-1a6d-46e4-bb69-347539c7609b

7 IAASB: International Auditing and Assurance Standards Board. ISAE: International Standard on Assurance Engagements.

exposure to sovereign debt and to other related instruments. ESMA also considered that, when significant, disclosures should be provided on a country by country basis and include any further information that might help investors better understand financial reporting.

Later, on 25 November 2011, ESMA issued a second, two-part document ('Sovereign debt in IFRS financial statements') aimed at entities holding sovereign debt and their auditors. The first part deals with some issues related to the accounting treatment of sovereign debt which should be taken into account in the preparation and review of financial statements prepared in accordance with IFRS at 31 December 2011. The second part contains ESMA's opinion, aimed at national authorities, on the accounting issues which should have been taken into account in the preparation of the half-yearly reporting corresponding to 30 June 2011 regarding positions in Greek sovereign debt and which might be useful for national supervisors in their review of that interim reporting. The document also describes the main differences found by an ESMA working group regarding the exposure to and accounting methods used for Greek sovereign debt, based on the analysis of a sample of 53 financial and insurance firms.

Finally, and with a similar purpose in mind, on 6 January 2012, the US Securities and Exchange Commission (SEC) issued a guidance document recommending financial institutions listed in the USA to disclose their exposure to European debt, differentiating between sovereign, corporate and financial debt and broken down by country and type of financial instrument, in order to ensure greater consistency in the information sent to the market. According to the SEC, entities should quantify and explain how they hedge their exposures (gross amounts and net of hedges) and what their effects are, indicating the counterparty, which country the hedges belong to, and how the directors manage indirect exposures in their risk analyses. They should also disclose the method used to select the countries on which they are reporting, stating that they could change over time according to circumstances.

10.2 Information relating to significant shareholders, directors, executives and own shares

The reporting of significant shareholdings and the transactions of directors and executives, and the disclosure of own share transactions (hereinafter, notifications) are governed by Royal Decree 1362/2007, of 19 October, implementing the Securities Market Act 24/1988, of 28 July, on transparency requirements relating to information about issuers whose securities are listed on an official secondary market or on another regulated market of the European Union (Royal Decree on Transparency), and by Royal Decree 1333/2005, of 11 November, implementing the Securities Market Act 24/1988, of 28 July, on matters of market abuse (Royal Decree on Market Abuse).

In 2011 a total of 3,987 notifications were validated, representing an 11.5% increase on 2010 (see figure 10.2). With regard to the breakdown of the notifications registered, 65% referred to directors (68% in 2010), 16% to non-director significant shareholders (the same percentage as in 2010), 14% to executives (11% in 2010), and the remaining 5% to own share transactions (the same percentage as in 2010).

No. of notifications registered FIGURE 10.2

Source: CNMV.

Cancelled and rectified notifications

Validated notifications accounted for 86.4% of all those registered (4,614); the remainder were either cancelled or replaced by new notifications, as the case may be. The number of notifications cancelled due to errors increased by 17% on 2010. Since August 2011, any notifications which cancel other previous ones are identified and marked in the Official Register of the CNMV.

Most cancelled notifications are cancelled at the request of the CNMV when errors, omissions, or confusing or misleading information is detected in the course of its supervisory work. The most frequent reasons why a notification is required to be cancelled or rectified are: (i) errors in the dates, prices or volumes of the declared transactions; (ii) incomplete information regarding the indirect ownership of voting rights, caused, for example, by the failure to identify the chain of control of the companies through which the obligated party has the control of the declared voting rights; and (iii) the non-matching of the initial position declared by the obligated party in its new notification with the final position declared in the last notification registered. Another frequent error is that, after capital increases or deductions in the listed company, obligated parties make erroneous disclosures of the total number of the issuer's voting rights and/or their percentage shareholding.

Most of the cancellations made in 2011 (61%) referred to companies with a market cap of less than one billion euros which are, however, the subject of 44% of the total number of notifications received. The board members of this type of company are responsible for the highest percentage of cancellations (42%). Over half the cancelled and rectified disclosures regarding own shares transactions (63%) also refer to companies in this market cap range.

Notifications submitted late

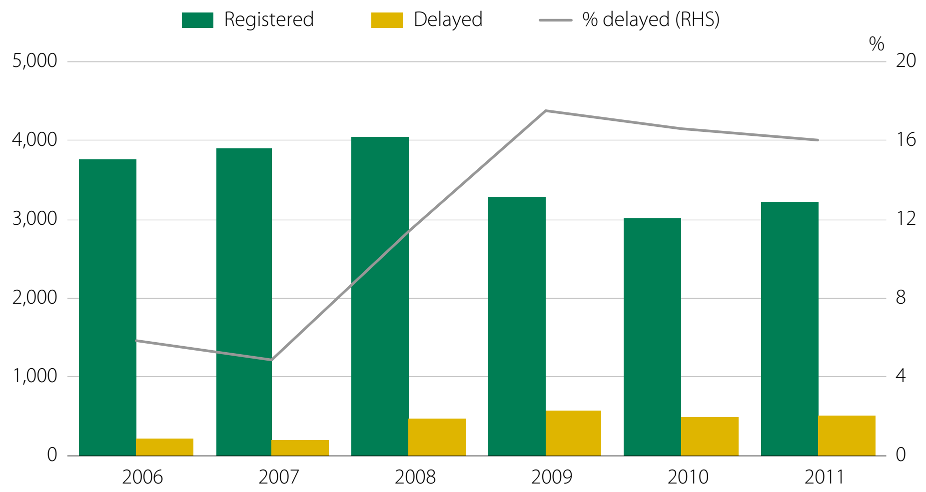
594 notifications were received outside the maximum time frame permitted by the regulations, equivalent to 16% of the total, versus 16.6% in 2010. 87% of the notifi-

cations submitted late last year corresponded to notifications submitted in relation to directors and significant shareholders (88.8% in 2010).

In addition to the slight decline in the percentage of notifications submitted late, in 2011 there was a clear trend towards a reduction in the number of days of delay, with a high concentration in the lower range of seven days (49.3% were in this range in 2011, versus 34.7% in 2010). The percentage of notifications submitted over 90 days late dropped to 15.9% (20.5% in 2010).

Last year, the CNMV sent a total of 88 deficiency letters (98 in 2010) relating to the late submission of 162 notifications. According to the answers received, 81% of the companies which received letters (74% in 2010) alleged errors of interpretation of the rules or administrative or internal control errors.[8]

Director and significant shareholder notifications submitted late FIGURE 10.3



Source: CNMV.

Notifications relating to non-director significant shareholders

According to the Royal Decree on Transparency, the first notification threshold for significant shareholders is 3% of the share capital. If the shareholder is resident in a tax haven, this notification threshold drops to 1% and its respective multiples. In 2011, notifications relating to voting rights of significant shareholders (638) affected 111 listed companies and referred to 216 different shareholders. This type of notification was up by 13% on 2010. Table 10.2 shows the breakdown of the notifications received, grouped by levels of voting rights and the market cap of the companies involved.

8 The royal decrees on Transparency and Market Abuse reduced the notification period for significant shareholders and board members to four and five days respectively, as opposed to the seven business days allowed under the previous rules.

No. of notifications regarding voting rights corresponding to significant shareholders TABLE 10.3

	Voting rights			
	Less than 5%	Between 5% and 30%	Between 30% and 50%	Over 50%
Ibex 35	208	87	3	6
Over 1 billion euros	20	8	1	5
Under 1 billion euros	174	104	10	8
Delisted	1	–	–	3
Total	**403**	**199**	**14**	**22**
% of the total	63	31	2	4

Source: CNMV.

Shareholders are also obliged to notify the CNMV of the acquisition or transfer of financial instruments which entitle the holder to acquire a significant shareholding in terms of voting rights. In 2011, 10 notifications of this type were received (15 in 2010), submitted with regard to 7 shareholders of 7 listed companies. In 5 cases, the financial instruments were call options unexercised at year-end 2011. The rest of the instruments notified during the year are no longer active.

Notifications relating to directors

The Royal Decree on Market Abuse obliges directors of listed companies to disclose all transactions involving shares or financial instruments whose underlying is shares of the listed company on whose board the member sits. Also, the Royal Decree on Transparency obliges directors to disclose their final position in voting rights or financial instruments. As can be seen in table 10.3, in 2011 a total of 808 directors submitted 2,377 notifications concerning 132 companies, an 8.9% increase on the number of notifications received in 2010.

No. of notifications related to voting rights corresponding to directors TABLE 10.4

	Issuers			Notifications			Directors		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Ibex 35	34	34	35	865	823	927	286	255	315
Over 1 billion euros	14	14	9	219	277	165	96	105	61
Under 1 billion euros	90	85	85	1,259	1,064	1,258	485	391	408
Delisted / Other	3	3	3	22	18	27	15	15	24
Total	**141**	**136**	**132**	**2,365**	**2,182**	**2,377**	**882**	**766**	**808**

Source: CNMV.

In 2011, 202 notifications regarding financial instruments were received (242 in 2010) affecting 30 listed companies, 17 of which belonged to the Ibex 35. The Royal Decree on Transparency also makes it mandatory to disclose the delegation of voting rights received or granted in general shareholders' meetings. In 2011, 25 notifications were received in relation to proxy voting rights for general meetings of 9 companies (28 notifications affecting 11 companies in 2010).

Notifications relating to executives

The Royal Decree on Market Abuse obliges executives of listed companies to disclose all acquisitions or transfers, whether direct or indirect through closely related third parties, of financial instruments whose underlying is made up of shares of the listed company in which the executive holds office. Executives are not obliged to disclose the final position. In 2011, 542 notifications relating to executives were received (392 in 2010), a 38.3% increase on 2010 in terms of the number of notifications received. This type of notification affected 50 companies.

Disclosure of own share transactions

According to the Royal Decree on Transparency, issuers of securities listed on an official secondary market or on any other regulated market domiciled in the European Union for which Spain is the State of origin, are obliged to notify the CNMV of the proportion of voting rights that remain in their possession when they make acquisitions which amount to or exceed 1% of the total voting rights. Since April 2009, the maximum limit of own shares permitted under the Capital Companies Act for listed companies has increased from 5% to 10%. In 2011, a total of 218 notifications of transactions involving own shares were validated by the CNMV (180 in 2010), affecting 68 issuers (61 in 2010). Table 10.4 shows the breakdown of notifications received last year, grouped by market cap and percentage of final holdings of own shares.

No. of notifications of own shares by final position TABLE 10.5

	Total notifications	Less than 1%	Between 1 & 2%	Between 2 & 3%	Between 3 & 4%	Between 4 & 5%	Over 5%
Ibex 35	111	42	34	13	9	5	8
Over 1 billion euros	8	4	0	0	1	0	3
Under 1 billion euros	99	41	13	12	10	9	14
Delisted	0	0	0	0	0	0	0
Total	**218**	**87**	**47**	**25**	**20**	**14**	**25**

Source: CNMV.

Shareholder agreements and concerted actions

The Capital Companies Act (and previously the Transparency Act) requires disclosure of any shareholder agreements affecting listed companies or their controlling entities.[9] Such notifications are registered as significant events. Such agreements may regulate the exercise of voting rights or restrict the free transfer of shares. In the first case, the CNMV analyses its effect on notifications of significant shareholdings. During 2011, a total of 19 notifications relating to shareholder agreement were received by the CNMV (11 in 2010) affecting 17 listed companies (11 in 2010). Two of these notifications reported on the ending of agreements and three on the amend-

9 Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Spanish Capital Companies Act.

ment or extension of pre-existing agreements. The remaining 14 notifications reported on new agreements affecting 12 listed companies.

The Royal Decree on Transparency requires any agreement entered into with a third party which mandates the adoption, through the concerted exercise of voting rights, of a lasting common policy in respect of the company's management, or any agreement whose purpose was to significantly influence the company's management, to be disclosed as a concerted action. In 2011, 26 concerted action notifications were registered concerning the shareholders of 11 listed companies (4 in 2010).

10.3 Corporate governance

In 2011, 153 listed public limited companies, 33 savings banks and another 26 fixed-income issuers submitted their Annual Corporate Governance Report (ACGR) for 2010, as provided for in Law 26/2003, on Transparency. In general, there were no incidents affecting the online transmission and receipt of the reports, although 11 companies were sent deficiency letters for having filed their reports late or for not having included the ACGR in the management report.

On the basis of companies' ACGRs, the CNMV prepares and publishes an annual report in which it analyses, in aggregate terms, the issuers' main corporate governance practices and disseminates a wide range of individual statistical data for each entity.[10]

10.3.1 Most significant aspects of listed companies' governance practices

According to the Corporate Governance Report for 2010 (published in December 2011), the most significant aspects of listed companies' corporate governance practices are as follows:

Observance of the recommendations of the Unified Code of Good Governance

At an aggregate level, statements included in ACGRs regarding the level of observance of the recommendations of the Unified Code in 2010 reveal the following:

i On average, listed companies complied with 78% of the recommendations of the Code (77% in 2009) and partially complied with another 9% (10% in 2009). Therefore, at an aggregate level, 13% of the applicable recommendations were not complied with. As in previous years, the percentage of non-compliance for Ibex companies was, on average, less than half that of the rest of the companies. In 2010, 44% of reporting companies (41% in 2009) declared a closer observance of the Unified Code than in the previous year.

ii As in previous years, the least observed recommendations were those relating to the approval and transparency of director remuneration. The level of observance (65%) continued to be lower than the Unified Code average, although there was a 2.4 percentage point improvement over 2009.

10 Reports published by the CNMV are available at http://www.cnmv.es/portal/Publicaciones/publicacionesCNMV.aspx?lang=en

iii There were only two of the Code's recommendations which were observed by less than a third of the listed companies, both in connection with the transparency of director remuneration. These were recommendations 40 (whereby the Board must submit a report to the General Shareholders' Meeting on director remuneration policy) and 41 (whereby details of individual remunerations be published in the notes to the financial statements), which were observed by 27.3% and 31.8% of listed companies respectively (21.2% and 28.2% in 2009).

Boards of directors and directors

The average size of Boards of directors in 2010 was 10.4 members (14.3 for Ibex companies), with a minimum of 3 and a maximum of 23. In 22 companies (23 in 2009), the number of Board members was outside the range recommended by the Unified Code (between 5 and 15 members). Boards with over 15 members were mostly to be found in Ibex 35 companies. The length of time served by Board members remained largely unchanged. Executive directors continued to be the ones to have served for the longest time (an average of 10.2 years).

Although independent directors tend, on average, to stay the least time on the Board (6.5 years), in 2010 there was an increase in the number of them who had sat on the Board for over 12 years. To be precise, a total of 75 independent directors (15% of the total of this type of Board director) had served on the Board for over 12 years. Projecting these figures to 2011, we can expect the percentage of independent directors who have served for longer than is recommended by the Unified Code (12 years) to reach 16.4% of the total of this group.

Meanwhile, 94% of reporting companies had a majority of external directors on the Board. In 2010, the presence of representative and independent directors grew by 0.5 and 0.7 percentage points respectively.

In 2010, there was a reduction in the percentage of companies with Boards on which less than a third of the members were independent, from 55% in 2009 to 50% in 2010. However, in aggregate terms, external independent directors accounted for 31% of Board members, a similar percentage to the previous year.

The presence of women on Boards remained practically unchanged (10% in 2010 versus 9% in 2009), as did the percentage of female executives (around 4%).

The Boards of listed companies continue to be chaired mainly by executives (67% in 2010, versus 71% in 2009). 5% of directors chairing Boards were independent directors (6% in 2009).

Standing committees

All companies have an Audit Committee and 87% have an Appointments and Remuneration Committee (85% in 2009). 39% of the companies, a percentage similar to the previous year, have a standing committee with executive powers.

As in previous years, the presence of independent directors on Audit Committees (48%) and on Appointments and Remuneration committees (51%) was higher than that on Boards of directors (31%). There was also an increase in the number of independents on Audit Committees and in the percentage of female directors on those committees.

The role of chair of the Audit Committee continued to be largely undertaken by independent directors (73%, the same percentage as in 2010). In 82% of companies, all the members of this committee were external directors. In 20 companies (7 of them in the Ibex 35) the Audit Committee was formed solely by independent directors.

The percentage of companies which met all the recommendations of the Unified Code regarding the composition of the Appointments and Remuneration Committee (all external directors, majority of independents and independent chair) stood at 39% in 2010, versus 40.1% in 2009.

In 2010, 46% of the appointments of new directors and 47% of reappointments were made on the recommendation of the Appointments Committee (78% and 70% respectively in 2009).

The Unified Code recommends that the structure of an Executive Committee in terms of the classifications of its members should be similar to that of the Board. In 2010, 67% of companies reported that the composition of their Executive Committee was similar to that of the Board (63% in 2009).

Remuneration of the Board and senior management

The average remuneration per Board amounted to 2.7 million euros (3.1 million euros in 2009). The average remuneration per director was 260,215 euros a year, 10.8% lower than in 2009. This reduction was to a large extent due to the significant decrease in severance payments. If we exclude the effect of this type of remuneration, the average reduction per Board and director would have been in the region of 4.8%.

In aggregate terms, the remuneration structure of boards of directors can be broken down as follows: 40% corresponded to fixed annual remuneration (36% in 2009), variable remuneration accounted for 24% (24% in 2009), attendance fees for 11% (10% in 2009) and the remaining 25% was for remuneration systems based on shares, severance pay, and directors fees (31% in 2009).

The average remuneration per executive director fell by 8% (0.6% if we exclude the effect of severance payments), equivalent to a little over a million euros in 2010.

The average remuneration of external directors was 102,472 euros, 1.8% down on the previous year. This reduction did not affect the different types of directors in the same way. To be specific, the remuneration of representative and other external directors fell by 3.6% and 17.5%, respectively, while that of independent directors increased by an average of 3.8% in 2010. This increase was due to the greater presence of independent directors on Board committees, especially in Ibex 35 companies.

The directors of 83 companies (84 in 2009) received variable remuneration in 2010. The average variable remuneration per Board was 1.2 million euros, 8.9% less than the previous year.

In 2010, there were 1,164 members of senior management (1,216 in 2009) and their average remuneration was 454,713 euros, representing a 9.1% increase on the previous year. This increase is largely due to the fact that the senior executives of one Ibex 35 company received, on average, 6.8 million euros from non-recurring remuneration schemes which were paid out in 2010. The remuneration paid out by this company accounted for 10% of the aggregate amount accrued by senior management.

General shareholders' meetings

The percentage of companies which provide for remote voting has been increasing steadily since 2008 and rose from 12.3% to 19.6% in 2010. In this same period, the percentage of companies which require shareholders to have a minimum number of shares to be able to attend the General Meeting diminished (from 57.3% in 2008 to 54.2% in 2010).

Despite this, the average percentage of attendance to general shareholders' meetings in 2010 was 74% of the share capital, one point lower than in 2009. There was a decline in the percentage of both physical attendance and participation by proxy or remote voting.

Data contained in ACGRs suggests that a larger free float does not necessarily mean better attendance at general meetings. In fact, there is evidence of an inverse relationship between the average percentage of share capital participating in general meetings and the company's percentage of free float, such that the highest percentages of participation correspond to the lowest percentages of free float.

Application of the 'comply or explain' principle

Article 61 *bis* of the Securities Market Act obliges listed companies to include in their ACGR the degree of compliance with recommendations on corporate governance or explain their failure to comply, as the case may be.

In 2011, an analysis was made of a sample of 647 explanations (33.6% of the total) included in the ACGR for 2010 with regard to the ten least observed recommendations of the Unified Code. Except in the case of Ibex 35 companies, a decline was observed in the quality of those explanations, which continues to be below the European average. The following conclusions of the analysis are particularly interesting:

– 18% of the explanations (14% in 2009) were incorrect because, although in practice the affected recommendations were being complied with, they were not properly interpreted by the company or they were not actually applicable.

– The proportion of redundant explanations which reiterated the existence of a deviation without analysing the reasons for it was up by 14 percentage points. Most corresponded to recommendations on the remuneration of the Board and the composition of the Appointments and Remuneration Committee.

– There was a reduction in the number of reasoned explanations relating to a particular situation of the company and the reasons why this circumstance prevented it from observing a recommendation. Normally these explanations refer to the size or the shareholder structure of the listed company.

– The proportion of explanations which include a pledge by the company to take measures which will enable them to comply in the future was also down. These explanations mostly refer to the presence of independents and gender diversity on Boards and their committees.

As a result of the annual review of ACGRs carried out by the CNMV, written requests were sent to 15 companies (24 in 2009) calling for the correction of incidents or further information in respect of 24 of the 58 recommendations of the Unified Code. Most of the letters sent out included guidances for improving the quality of the explanations provided when recommendations are not complied with.

Compliance with binding definitions

For the purpose of ACGRs, the Unified Code requires that companies respect its binding definitions,[11] in particular those referring to independent directors, to which the Unified Code and international practice attaches particular importance. The Code stipulates that a director may not be classified as independent when the performance of his duties may be influenced by his relationship with the company, its shareholders or its executives.

The annual review carried out last year by the CNMV on compliance with binding definitions revealed some residual situations which might call into question the proper classification of certain Board members. These situations gave rise to the sending out of deficiency letters requesting further information, clarifications or, when appropriate, the publication of an additional information document with the new classification of the directors involved.

Transparency of related party transactions

The value of related party transactions made by listed companies during the first half-year of 2011 amounted to 256,221 million euros, 1% less than in the same period of the previous year. 61% of these transactions involved significant shareholders, 28% were with persons, companies or entities of the group, 0.6% with directors and executives, and the rest with other related parties. The previous percentages were 54%, 34% and 0.8%, respectively, for the first half-year of 2010. Table 10.5 shows the different types of transactions made by listed companies in the first half-year of 2011, broken down by type and by the nature of the related party.

With regard to the counterparties of the transactions, last year 121 companies reported 499 transactions with significant shareholders, 75 companies declared 224 transactions with directors and executives, 94 disclosed 450 transactions with persons or entities of the group, and 85 reported having made 325 transactions with other related parties. As stated in the Corporate Governance Report published by

11 Article 61 *bis* of the Securities Market Act, introduced by the Sustainable Economy Act 2/2011, of 4 March, converts the binding definitions of the Unified Code into a legal rule.

the CNMV for the year 2010, a total of 25 companies identified situations of conflict of interest that year, affecting 132 directors. With regard to the nature of the conflicts of interest of the directors, there were a significant number related to the approval of material transactions involving the transfer of funds or the recognition of obligations between the company and related parties to the director.

Transactions with related parties. First half-year of 2011 TABLE 10.6

Millions euro

	Significant shareholders		Directors and executives		Persons, companies or group entities		Other related parties	
	Amount	% H1 11/10	Amount	% H1 11/10	Amount	% H1 11/10	Amount	% H1 11/10
Financial expenses	614	-5,9	12	4,1	229	125,5	370	86,9
Leases	41	-10,9	0	N/A	19	265,2	9	44,9
Receipt of services	285	17,6	25	-40,6	660	-26,9	126	3,1
Purchase of goods (finished or in progress)	1,779	-9,0	19	21,2	3,356	-0,8	33	1,3
Other expenses[1]	316	-24,6	33	-53,4	132	34,1	81	-3,0
Total expenses	**3,034**	**-8,0**	**89**	**-36,0**	**4,396**	**-2,0**	**618**	**40,0**
Financial income	1,262	62,0	9	49,4	556	-32,7	358	2,1
Dividends received	75	-39,2	9	-35,6	235	-17,7	118	-12,6
Provision of services	828	-26,0	3	-74,3	683	-5,0	145	-43,9
Sale of goods (finished or in progress)	461	-54,3	5	7,9	1,276	-31,5	189	692,9
Other income[2]	398	-64,3	0	N/A	228	24,5	56	-0,7
Total income	**3,024**	**-27,0**	**26**	**-28,0**	**2,979**	**-23,0**	**866**	**5,0**
Credits and capital contributions	44,163	35,2	316	33,0	16,166	10,6	9,247	-0,8
Loans and capital contributions	49,892	12,3	503	-41,6	8,451	112,8	10,556	-22,3
Guarantees and sureties granted	3,105	-44,0	34	-89,7	2,047	11,2	600	-60,4
Guarantees and sureties received	22,581	43,3	546	97,9	6,436	6,9	318	1553,0
Commitments acquired	4,031	-59,7	18	0,1	20,958	-50,9	1,325	1323,1
Dividends and other benefits	2,254	41,8	22	13,1	18	53,3	98	-9,2
Other transactions[3]	23,944	11,8	65	-39,4	9,510	-9,8	3,985	-5,5
Total other transactions	**149,971**	**14,0**	**1,505**	**-19,0**	**63,585**	**-20,0**	**26,128**	**-9,0**
Total	**156,029**	**12,4**	**1,620**	**-20,2**	**70,960**	**-19,4**	**27,612**	**-8,3**
% of total	**60.9**		**0.6**		**27.7**		**10.8**	

Source: PPI of listed companies (1st half-year). (1) Comprising management contracts, R&D transfers, value correction for uncollectable debts, losses on derecognition, and other expenses. (2) Comprising management contracts, R&D transfers, leases, gains on derecognition or disposal of assets, and other income. (3) Comprising the purchase of assets, leases, repayment of credits, sale of tangible assets, depreciation, commitments, and other transactions.
N/A: not applicable.

The internal regulations of listed companies contain a number of procedures for facilitating the disclosure by directors of this type of situation. The main preventive measures adopted in 2010 were similar to those declared in previous years. The most important of these are: (i) transactions made by directors with the company must be authorised by the Board, subject to a report prepared by the Audit Committee or the Appointments Committee; (ii) directors are obliged to report any material changes that might affect their professional situation if it might give rise to a potential conflict of interests; (iii) they must also inform the company of any shareholdings they have in companies with the same or complementary activity as that of the company on whose Board they sit; and (iv) directors are prohibited from holding offices in rival companies.

10.3.2 Constitution and composition of audit committees

In this area, the following two points stand out in particular among the results obtained from the review conducted by the CNMV:

- Members of the audit committee: the great majority of listed companies complied with the legal requirements governing the composition of the audit committee. Of the eight companies which were under special watch since 2010, six regularised the composition of their audit committees in the first half-year of 2011. The two remaining companies were delisted.

- In 2011, 25 listed companies had irregularities, most of which were due to the absence of independent directors on the audit committee.[12]

Also, the audit committees of six companies were made up of fewer than three members. However, in five of these cases the situation has been rectified.

10.3.3 Legislative reform

The Sustainable Economy Act and the LORCA[13] established new transparency requirements for public listed companies and savings banks. These requirements, whose format and contents are pending enactment by ministerial order and, subsequently, the publication of a CNMV circular, mainly refer to the following:

- Definitions of types of director.

- Content and format of the annual report on director remuneration. The new transparency requirements in matters of director remuneration affect listed companies and savings banks.

- Content and format of the Annual Corporate Governance Report. The updating of the Unified Code, the new transparency requirements of the Sustainable Economy Act, and the amendments to the LORCA on corporate governance make it necessary to review and update the ACGR models set out in Circulars 1/2004, 2/2005 and 4/2007, and the software application for the online receipt of reports via the CIFRADOC/CNMV system.

Also, having reviewed companies' ACGRs for the last four years, we can conclude that disclosure on risks and their control needs to be improved. This need has been

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12 In this respect, Law 12/2010, of 30 June, amended the 18th Additional Provision of the Securities Market Act, regulating the composition and functions of the Audit Committee, establishing that "at least one of the members of the Audit Committee must be appointed on the basis of his or her knowledge and experience in accounting or auditing or both".

13 Law 31/1985, of 2 August, on the regulation of the basic rules on governing bodies of savings banks, amended by Royal Decree-Law 11/2010, on governing bodies and other legal aspects of savings banks.

repeatedly made clear in the CNMV's annual reports on the corporate governance of issuers. Therefore, in the new model, the content of the chapter of the ACGR on risk control, in which issuers have to explain their main risks and controls, will receive special supervisory attention.

Once the relevant ministerial order has been approved, the standardised models provided for in the Draft Circular of the CNMV, which has already been subject to public consultation from 24 October to 14 November 2011, will be adapted accordingly.

10.4 Significant events received by the CNMV

The number of disclosures of material information registered in 2011 rose to 11,502, 4.2% up on the previous year. However, when interpreting this data we should take into account that the new system for reporting short positions approved by the Executive Committee on 27 May 2010 eliminated the obligation to register material information for this matter (in 2010 there were a total of 209 notifications of this type). If we exclude this effect, a comparison of the last two years in like-for-like terms would show a 6.3% increase in the number of significant events reported in 2011 compared with the previous year.

Table 10.6 provides a breakdown of significant event disclosures classified according to their type. The distribution by major headings remained largely unchanged in 2011. Specifically, disclosures related to "financial instruments" were the most numerous, accounting for 64% of the significant events registered. The heading "business and financial position" accounted for another 19%, "corporate governance and official notices" a further 12%, and "corporate transactions" 5%. The most notable changes were a 10% increase in the heading "financial instruments" and a 14% decrease in "corporate transactions", both in comparison with the figures for 2010.

Looking now at the individual items under the above-mentioned headings, the most notable changes occurred in the heading "financial instruments", with a significant growth in disclosures referring to "credit ratings", which doubled in 2011, and those corresponding to "trading halts and resumptions", which were up by 26.7%. In "business and financial position" there was a significant increase in the number of significant events related to "insolvency proceedings", 19.2% more than in 2010. On the other hand, the heading "corporate transactions" saw the largest decreases; there was a significant drop in the number of disclosures on "strategic agreements with third parties" (-48%) and on "transformations, mergers, spin-offs and liquidations" (-32.6%).

Significant events received by the CNMV

TABLE 10.7

	2010	2011	% change11/10
Financial instruments			
Capital increases and reductions	181	180	-0.6
Rights offerings and public share offerings	146	145	-0.7
Information about dividends	170	192	12.9
Notification of short positions	209		
Trading halts and resumptions	60	76	26. 7
Credit ratings	111	234	110.8
Securitisation trusts	4,880	5,514	13.0
Other	983	1,043	6.1
Business and financial position			
Interim financial reporting	849	821	-3.3
Insolvency proceedings	26	31	19.2
Other	1,358	1,268	-6.6
Corporate transactions			
Transformations, mergers, spin-offs and liquidations	86	58	-32.6
Strategic agreements with third parties	244	127	-48.0
Transfers and acquisitions of shareholdings	205	174	-15.1
Other	165	242	46.7
Corporate governance and official notices			
Notices and resolutions of general meetings and assemblies	649	732	12.8
Composition of the board of directors	198	238	20.2
Annual corporate governance report	231	211	-8.7
Other	282	216	-23.4
Total	**11,033**	**11,502**	**4.2**

Source: CNMV.

11 Supervision of the markets

11.1 ignificant actions by the CNMV in the various markets

In 2011, close to 91 million transactions were registered in the markets and clearing and settlement systems supervised by the CNMV, a rise of 6.5% on 2010. As can be seen in table 11.1, most of these transactions were generated in the equity market, where the number of transactions continued to rise (13.2% up on 2010) despite the fall in the total traded amount (see section 3.1 of chapter 3). The number of transactions in derivative markets fell by 14.7%, while the number of transactions in the fixed-income market rose by 4.9%. There was an increase of 5.8% in trading on the settlement platform compared with 2010.

Summary of market supervision activities TABLE 11.1

	Equity		Fixed income		Derivatives		Settlement		Total	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
No. of transactions (in thousands)	40.466	45.801	642	674	6.020	5.132	36.949	39.107	85.180	90.714
Deficiency letters	115	100	17	14	29	19	6	12	167	145
Supervisory reports	12	16	1	5	15	7	0	1	28	29
Reports sent to other bodies and agencies	4	8	68	35	9	12	0	0	81	55
Periodic reports	53	53	12	12	12	33	24	12	101	110

Source: CNMV.

In 2011, there was a fall in the number of deficiency letters sent by the CNMV in the exercise of its market supervisory duties. Specifically, the number of deficiency letters sent dropped from 167 in 2010 to 145 in 2011. The equity market accounted for the bulk of these letters.

As described in more detail later on, the supervisory activities of the CNMV over the past year included verifying compliance with the Resolution of the CNMV Executive Committee of 11 August 2011, which established the temporary ban on taking or increasing short positions on 16 shares in the financial sector, in coordination with other European supervisory authorities. In addition, 2011 was the first full year of application of the Resolution of the Executive Committee, of 27 May 2010, on reporting short positions.

Similarly, it is important to highlight that the CNMV once again paid special attention to compliance with the obligation of investment services firms and credit institutions regarding transaction reporting, as provided for in Article 59 *bis* of the Securities Market Act, and to report suspicious transactions, as established in Article 83 *quáter* of the Securities Market Act. In the first case, the information provided is essential for ensuring orderly and transparent functioning of the market and to facilitate detection and, as the case may be, persecution of market abuse practices. Reporting suspicious transactions is also an essential tool for preventing and persecuting money-laundering and, in general, conduct which breaches regulations.

The rest of the chapter summarises the most significant supervisory actions carried out in 2011 in secondary equity and fixed-income markets, derivative markets and clearing and settlement systems.

11.1.1 Equity

Trading halts due to disclosure of information

As shown in table 11.2, the number of securities temporarily suspended from trading and the number of issuers which were the subject of trading halts did not change significantly in 2011, although there was a slight increase in both cases compared with the figures for 2010. As in previous years, the main reason for trading halts was the lack of disclosure of material information. Specifically, it was the reason for 40 of the 48 cases. There was a clear increase in this type of trading halt compared with 2010, when 29 trading halts were recorded for this reason.

Most of the trading halts carried out over the year took place in the context of accelerated book building for large packages of shares, sales of significant holdings, refinancing, bankruptcy situations, mergers by takeover, takeover bids and restructuring processes of the financial system.

The trading halts affected thirteen sectors, with the most affected being the banking and insurance sector, the real estate sector and the new technologies sector.

The Generalitat de Catalunya (the Regional Government of Catalonia), called three trading halts for securities traded solely on the Barcelona Stock exchange.

Temporary trading halts TABLE 11.2

	2010	2011
Number of issuers suspended	27	29
Number of halts	40	48
Due to disclosure of material information	29	40
Due to expiry of acceptance period for delisting bids	5	1
Other	6	7

Source: CNMV.

MiFID/MiFIR: new pre-trade and post-trade transparency requirements EXHIBIT 11.1

The recent proposal by the European Commission to modify Directive 2004/39/EC, on markets in financial instruments (MiFID) and the regulations that will accompany it (MiFIR[1] and EMIR[2]) includes important changes in pre-trade and post-trade transparency regimes.

Specifically, Articles 29 and 44 of the MiFID lay down a series of pre-trade transparency requirements for regulated markets and multilateral trading facilities which require, *inter alia*, making bid and offer prices public, as well as the depth of trading interests at these prices in equity products. The most noteworthy in this area in the European Commission proposal is the extension of the pre-trade transparency obligations to products which were previously not subject to this requirement, such as fixed-income products, structured finance products, derivatives and emission allowances. Accordingly, as a consequence of the competition between platforms and the obligation for standardised requirements for similar activities, the pre-trade transparency requirements will have to be the same for the different trading platforms which trade the same financial instrument.

At any event, it is important to bear in mind that both the MiFID which is currently in force and Regulation 1287/2006[3] allow certain exemptions to these obligations based on the market model, the type of order or the volume of the transactions. The Commission's reform proposal also envisages exemptions in fixed-income products, structured finance products and derivatives, as well as in large volume equity transactions relating to normal market trading.

The proposal presented by the European Commission also envisages significant changes in post-trade transparency. Accordingly, it proposes reducing the time period and all delays allowed for reporting information on equity transactions to a maximum of one day. Furthermore, it extends the scope of the regulation to products which were previously not subject to this requirement, such as fixed-income products, structured finance products and derivatives. These requirements will be assessed at a later time, with the aim of analysing in detail the special features of each one of these products.

With regard to post-trade transparency, the European Commission also proposes the introduction of certain measures relating to improving the quality, consistency and integration of significant information. Specifically, the Commission proposal requires all entities which execute transactions to publish and comply with post-trade transparency requirements through a new structure, an approved publication arrangement (APA). It also proposes the creation of a consolidated registration system with information on executed transactions, irrespective of where they have been traded (consolidated tape).

The CNMV provides advice to the General Secretariat of the Treasury and Financial Policy in the European Council discussion on the Commission proposal.

1 Proposal for a regulation of the European Parliament and of the Council on markets in financial instruments and amending the Regulation [EMIR] on OTC derivatives, central counterparties and trade repositories.

2 Regulation of the European Parliament and of the Council on technical standards for the Regulation on OTC derivatives, central counterparties and trade repositories (EMIR).

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

Accelerated book building for large packages of shares

The actions of the CNMV in this area are aimed at preventing the distortions which this type of activity may cause in the trading conditions of an open market. In particular, the CNMV promotes adequate disclosure of relevant information relating to the start and the results of the placement, including its volume, price, total amount and, as the case may be, the volume acquired by the underwriters, unless there is a commitment to underwrite or fully acquire the package prior to the start of the placement.

To this end, the CNMV maintains fluent communication with the persons designated to provide specific information about the transaction, in the framework of the criteria approved by its Board on 19 December 2007. The financial intermediaries that execute these transactions are required to send the CNMV information on the relevant conditions of the transaction before beginning the sounding out phase and to warn the investors contacted about the ban on trading based on the information related to the transaction since it is insider information. Similarly, they are required to announce the offer when the market is closed, except in exceptional circumstances, with the aim of avoiding possible temporary trading halts, and they must comply with the conditions relating to the disclosure of pertinent information.

During 2011, there was a total of nine accelerated book builds for large packages of shares, the same as in 2010. The percentages of capital affected range between 0.7% and 10% and the discount on trading price ranged between 0.8% and 8.9%. Six of these book builds also resulted in a temporary suspension of trading before the start of the session.

Monitoring of the mechanisms to provide liquidity to the market

The CNMV analyses and monitors mechanisms to provide liquidity to the market using own shares and their impact on price formation. The use of liquidity agreements to manage treasury shares, regulated in Circular 3/2009, of 19 December, is considered an accepted market practice aimed at providing liquidity to the market. A total of 13 entities currently maintain agreements adapted to the aforementioned circular.

In 2011, the CNMV also monitored share buy-back programmes arranged by issuers under Regulation 2273/2003/EC and the combination of buy-back programmes with a liquidity agreement,[1] both adapted to the Regulation and the aforementioned Circular respectively. This combination is acceptable and requires that the limits of those are addressed together as a whole. The CNMV also analysed the behaviour of issuers which carried out active treasury share management, not adapted to Circular 3/2007, and its impact on trading and on prices.

Compliance with the obligations and limits established in the Circular and Regulation 2273/2003 by the company's financial intermediaries which use this type of agreement was generally satisfactory.

1 European Commission Regulation (EC) No 2273/2003, of 22 December 2003, implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programs and stabilisation of financial instruments.

Study of additions and deletions in the Ibex 35 index

As in previous years, the CNMV analysed the changes in the securities in the various reviews of the composition of the Ibex 35 index. This examination is necessary because of the impact which an addition or deletion from the index has for listed companies. These analyses aim to determine whether the change in the composition of the index takes place in line with the technical standards in place and whether any distortion is generated in the market aimed at ensuring that the share remains in or enters the index.

In 2011, Amadeus, IAG, Caixabank and Bankia were added to the Ibex 35 index and Banesto, Iberia, Criteria and Iberdrola Renovables were removed. In addition, the Technical Committee of the Ibex 35 index agreed the addition of DÍA, with effect from 2 January 2012, thus temporarily setting the composition of the index at 36 shares.

Short trading

As indicated above, in 2011 the resolution of the CNMV's Executive Committee on disclosure of short positions, approved on 27 May 2010, remained in force. This resolution establishes the requirement to report to the CNMV all individual short positions equal to or greater than 0.2% of equity capital and to publish on the CNMV's website all the notifications received, including the identity of the notifier, equal to or greater than 0.5% of the capital of the listed issuer. The resolution also establishes the discrete intervals for disclosing changes as 0.1% of the capital and the requirement to publish the aggregation of short positions which have been reported to the CNMV but not made public to the market (those between 0.2% and 0.5%) at least every fortnight.

A total of 2,008 disclosures of short positions were received in 2011. In total, 152 entities sent disclosures since the resolution entered into force, mainly US and British hedge funds. The participation of Spanish firms is very low, with only two occasionally sending disclosures. The short positions disclosed in 2011 affected a total of 61 issuers. The amount was the equivalent, on a daily average, of 1.64% of the capitalisation of those shares and 0.39% of the total capitalisation of shares included on the Madrid Stock Exchange General Index (IGBM).

As analysed in depth in chapter 2, the high level of volatility which affected markets in July and August, which was especially marked in the European financial sector, led to the coordinated actions of several European regulators aimed at maintaining the orderly functioning of markets so as to preserve their stability. Under the coordination of ESMA, the French, Belgian and Italian regulators, together with the CNMV, agreed on 11 August 2011 to a temporary ban on establishing or increasing short positions on listed shares in the financial sector. In Spain, the temporary ban affected 16 financial shares,[2] over an initial period of 15 days. The ban agreement was extended twice, on 25 August and on 30 September 2011.

2 The ban agreement was accompanied by a frequently asked questions document, which contained the criteria to take into account in usual market trading. The CNMV collaborated with the financial industry and its advisers in interpreting the ban and the criteria in specific cases.

All the aforementioned countries maintained the ban in force over 2011 and lifted it in February. The CNMV lifted the ban on 15 February, with effect as from 16 February.

Finally, it is important to point out that on 15 November 2011 the European Parliament approved the final text of the Regulation on short selling and certain aspects of credit default swaps (CDS), which, subject to formal approval by the Council, will enter into force on 1 November 2012.

Delistings

In 2011, the procedure for delisting two companies from Spanish stock markets was initiated in accordance with Article 34.1 of the Securities Market Act. Pursuant to this article, the CNMV may agree to the delisting of those financial instruments which do not meet the stock market trading requirements and other instruments when the issuers do not meet their obligations, especially relating to sending and publishing information.

The delisting procedures initiated by the CNMV aim to protect the interests of minority shareholders and to defend market integrity and transparency. As part of the procedure, a period is open so that the holders of rights or legitimate interests which may be affected by the resolution may formulate such arguments as they consider appropriate.

In order to provide the procedure with the utmost transparency, the start of the aforementioned period was published in the bulletins of the four Spanish stock markets, in the Official State Gazette and in the section on significant events of the CNMV's website.

MiFID/MiFIR: European Commission proposal on trading platforms

EXHIBIT 11.2

Directive 2004/39/CE (MiFID), which entered into force in 2007, provided a boost to competition between different ways of executing transactions with financial instruments. The MiFID eliminated the obligation of directing liquidity towards one single platform which concentrates all the transactions with a particular security, thus opening the possibility that different platforms may compete with each other. However, five years after its entry into force, certain difficulties have been detected as regards the categorisation of existing platforms, which the reform proposal by the European Commission now aims to solve.

One of the most noteworthy areas addressed by the Commission is that of over-the-counter (OTC) derivatives. This type of activity has partly been carried out through individual trading or unregulated crossing networks. The proposal for modifying the MiFID would introduce a new type of platform, so-called "organised trading facilities" (OTF), which would regulate the former systems, maintaining the main obligations required of other trading facilities. Accordingly, trading in derivatives would no longer take place outside regulated markets, except in the case of those for which a market as such cannot be created as they are not sufficiently standardised.

In addition, the Commission aims to level the obligations applicable to the existing different categories of platforms, imposing equivalent organisational and oversight standards for those which carry on the same activity, as well as similar transparency requirements, as described in exhibit 11.1.

The proposal also takes into account the technological advances taking place in financial markets. Consequently, new sections are introduced which address aspects such as algorithmic trading and high-frequency trading, the different concepts and requirements of direct market access, the fees applied by platforms and measures to ensure physical access does not affect the equality of conditions (co-location). The proposal includes the mandatory implementation of trading interaction mechanisms in the event of sharp changes in prices and, in addition, relative limits on the number of orders entered.

Finally, the proposal strengthens regulation relating to post-trade infrastructures. The Commission recognises the need for regulation to ensure access to clearing and settlement, and the associated prices, which is not discriminatory or which does not impose a necessary vertical integration, so as to promote greater competition in the services.

As indicated above, the CNMV is providing advice to the General Secretariat of the Treasury and Financial Policy relating to the current discussion process within the European Council regarding the European Commission proposal.

11.1.2 Fixed income

In 2011, financial institutions continued carrying out repurchase and exchange transactions on preferred shares and subordinated debt.[3] Like those initiated in previous years, the repurchases aimed at institutional investors continued to be conducted with premiums above the trading price but with significant discounts with regard to the issue prices. With regard to the processes carried out with retail investors, as from the second half of the year entities decided to exchange the securities for shares or mandatory convertibles, valuing the securities to be exchanged at, or very close to, their nominal value.

In 2011, the CNMV closely monitored the transactions on subordinated debt and preferred shares issued by entities which, due to their financial situation, were forced to announce non-payment of the corresponding coupons.

With regard to the fixed-income market in 2011, four mandatory convertible debt issues and one convertible debenture issue were added to the Electronic Fixed-Income Market (MERF) of the Madrid Stock Exchange, for a nominal amount of 2,182 million euros. With these admissions, the nominal amount admitted to trading on this market rose by 225% on the previous year. The CNMV paid special attention to ensure that

3 See the exhibit "Exchanging of preference shares", in the report "Securities market and their agents: situation and outlook", in the CNMV Bulletin for the first quarter of 2012.

the liquidity providers of these issues aimed at minority investors acted correctly, encouraging improvements in the information offered by the market on this activity.

There was a slight increase in activity in the Electronic Debt Trading System (Spanish acronym: SEND) since its entry into operation in May 2010. In 2011, 17 issues and 9 members joined, bringing the total at the end of the year to 70 issues listed and 23 members. The number of transactions rose from 112 in 2010 to 438 in 2011, and the volume traded rose from 3.6 million euros to 9.8 million euros. The CNMV supervised compliance with the liquidity agreements of issues listed on SEND, which grew by ten times in 2011, overseeing the purchase and sale orders entered into the electronic platform by the liquidity providers.

There was also a significant increase in 2011 in CNMV actions relating to incidents in transaction settlement on AIAF and the Public Debt Market, as the CNMV detected a sharp increase (58.2%) in naked positions in the settlement process. At any event, it is important to bear in mind that naked positions only account for 0.2% of the total amount settled in these markets.

11.1.3 Derivative products

MEFF

The supervision of MEFF was marked by the changes in trading introduced in the new Regulation of the Official Secondary Market for Futures and Options[4] and the reduction in traded volume.

After changing the register system to a double-step register, the CNMV especially focused its supervision on the development of open positions and, in the weeks of maturity (third Friday of each month), the roll-over of accounts with a significant open position.

In addition, in 2011 the CNMV carried out its usual duties overseeing the correct functioning of the market in response to both technical incidents in trading and incidents as a result of transactions corresponding to evident errors. Another significant aspect of the CNMV's supervisory work was the monitoring of one-off trading of derivatives with low liquidity and the registration of high-volume applications in share futures coinciding with the close of the quarter.

Furthermore, the CNMV oversaw the start of counterparty activity for energy derivatives contracts.

Olive Oil Futures Market (MFAO)

In 2011, the CNMV continued monitoring trading through applications, which had led to a significant increase in trading in 2010. It also carried out special monitoring

4 Published in the Official State Gazette on 5 January 2011, as a result of CNMV Resolution of 21 December 2010. It entered into force on 24 January 2011. Section 6.2.1 of the 2010 CNMV Annual Report regarding its actions and the securities markets offers a summary of the main new aspects contained in the reform of the Regulation.

of the positions opened in the sessions prior to the maturity of the contracts and the operations matched from orders entered through the new classifications of "GTC all or none orders" and "GTC combined orders by price difference" (see section 5.1 of chapter 5).

Warrants, certificates and other products

The supervisory activity relating to warrants focused on intraday trading in derivatives accompanied by transactions in the spot market, with the analysis focusing on illiquid underlyings. Similarly, the CNMV examined trading around the publication of significant information, with the aim of detecting possible indications of the use of insider information and transactions without an apparent market logic, for example, those which generate a recurring loss for one single owner.

Finally, as usual the CNMV monitored the compliance of specialists in this segment with their obligations.

MEFFClear

Due to the sharp increase in activity in MEFFClear over the year (see section 5.2 of chapter 5), the CNMV continuously monitored the volume registered in the central counterparty, the time period of the transactions and the entities with the greatest lender and, especially, borrower activity.

Risk levels and margins were also supervised, especially in the cases in which the central counterparty required extraordinary margins as a result of special market situations, such as those resulting from the fall in the price of Spanish public debt.

In addition, specific supervision was carried out on the registration of transactions which, as they were identical, but in opposing directions, did not make any apparent economic sense.

11.1.4 Clearing, settlement and registration

The CNMV is responsible for supervising the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, known commercially as Iberclear, while the respective Regional Governments are responsible for supervising the central securities depositories of Barcelona, Bilbao and Valencia.

The number of transactions settled by Iberclear in 2011 rose by 8%, but their amount fell by 11%. As indicated in section 6.2 of chapter 6, the proportion of failed settlements in total settlements was low, demonstrating the system's high level of efficiency. The CNMV continued monitoring the settlement delays of each participant, including the level of use of the daily settlement cycles.

Special attention continued to be paid to detecting naked short selling, both that resulting from the delivery of securities from loans registered on the same, or a later, date to that of the sale, and those generated in the context of intraday trading. Similarly, following the ban on establishing or increasing short positions on financial sector shares, standard or naked, adopted in August, the CNMV carried out an in-depth analysis of the settlement of the affected securities so as to detect possible non-compliance. The incidents registered were technical, and not considered significant.

11.1.5 Reporting transactions to the CNMV

As indicated above, in 2011 the CNMV stepped-up control over the compliance with the requirements established in Article 59 *bis* of the Securities Market Act relating to the reporting to the CNMV of transactions carried out on financial instruments by investment services firms and credit institutions, as regards both content and deadlines. Supervision covers checking the different channels of communication used (direct, through the different governing councils of the markets in which the transactions are executed, through a delegated third party or through the authorised reporting system, currently only one), as well as the entities which are active in securities markets.

Over 94 million registrations were received in 2011 from over 150 entities subject to the rules. The authorities of foreign securities markets transferred just over 79 million registrations to the CNMV, while the CNMV, in turn, sent close to 22 million registrations to other authorities. These figures are similar to those for 2010.

In relation to this activity, the CNMV sent 42 individual information requests over the year, and also conducted two mass mailings of letters to 168 and 126 entities respectively. In the first case, it requested confirmation of a unique identification code of the entity for these purposes and the person responsible for compliance with this obligation and, in the second case, it requested confirmation of the non-executed transactions subject to the requirements of Article 59 *bis*. The individual requests for information referred indistinctly to the failure to comply with this obligation in a specific instrument or overall and to mistakes in the content of the communications, which have been rectified or must be rectified shortly.

11.1.6 Reporting suspicious transactions

It is an obligation under Article 83 *quáter* of the Securities Market Act to report to the CNMV suspicious transactions by investment services firms and credit institutions. A total of 135 reports of this type were received in 2011, an increase of 28% on 2010. The number of reporting entities also increased. At any event, the number of reports received by the CNMV is low in comparison with other EU countries.

The bulk of the reports received last year referred to the use of insider information (81%), almost always relating to the publication of significant events relating to major corporate operations. It should be pointed out that in 2011 the number of reports of suspicious transactions on Spanish instruments received from other regulators - 7% of the total - was similar to the number of reports sent by the CNMV to other regulators relating to foreign instruments not subject to supervision by the CNMV.

11.2 Supervision of takeover bids

Voluntary bids, mandatory bids and fair price

The classification of a takeover bid as voluntary or mandatory has important regulatory consequences. Only in the first case can a consideration be set in the form of a security swap without the bidder being obliged to offer an alternative price in cash and without its effectiveness being subject to compliance with certain conditions which are not permitted in the mandatory bid.

One voluntary takeover bid was processed in 2011, the bid of Ipic for Cepsa (see section 3.5 of chapter 3 and annex I.9 for further details on authorised takeover bids and their characteristics). Despite being voluntary, the specific structure of the bid required justification of the consideration offered. The reason lay in the fact that the bidder requested and obtained in 2009 an exemption from the obligation to make a takeover bid, under Article 4.2 of Royal Decree 1066/2007, of 27 July, on the legal regime for takeover bids, as another shareholder existed with an equal or greater shareholding. However, the fact that the bid by Ipic was accepted by the shareholder which had that larger holding meant that, following acceptance, the condition under which the exemption was granted no longer existed. At any event, another subsequent mandatory bid was not necessary as the bidder provided a valuation report which demonstrated that the voluntary bid offer complied with all the fair price rules and was higher than that resulting from the valuation.

In the other two takeover bids processed during the year, the bids for Befesa and Rústicas, it was also necessary to justify the bid prices through the respective valuation reports as these were delisting takeover bids. In the delisting takeover bid for Befesa, the bidder adjusted the initially set price, deducting the amount of an extraordinary dividend agreed by the General Shareholders' Meeting at the same time as the delisting and credited by the company before the bid was finalised. In the takeover bid for Cepsa, a dividend was paid before settlement of the bid and the price was not adjusted because the bidder had already set the price assuming that said dividend would be paid before settlement.

Squeeze-outs

The takeover bids for Cepsa and Befesa allowed squeeze-outs to be carried out as the conditions established in Article 47 of Royal Decree 1066/2007 were met. The first case included the particular characteristic that acceptance of the bid by the main shareholder involved compliance with said conditions, because it accounted for over 90% of the securities included in the bid and, together with the holding which the bidder already held, over 90% of the capital and voting rights of Cepsa. This fact lead to the takeover prospectus included a warning which reminded the readers that the squeeze-out was free of costs for the shareholder forced to sell, while acceptance of the bid could lead to costs. Cepsa shares were delisted once the squeeze-out was settled.

The delisting bid for Befesa also met all the conditions for a squeeze-out because its acceptance exceeded 90% of the securities subject to the bid and, although it was a delisting takeover bid, compliance with the other condition was feasible i.e. that the bidder achieved over 90% of the capital and voting rights of Befesa to the extent that the takeover bid had not been made by the issuer of the shares to be delisted, as on other occasions. In this case, the delisting procedures resulting from the delisting takeover bid and the squeeze-out were adapted, postponing the effective delisting of the shares until settlement of the squeeze-out took place.

Exemption from the obligation to make a takeover bid

For the first time since the entry into force of Royal Decree 1066/2007, the CNMV authorised an exemption from a mandatory takeover bid as provided for in Article 8.d of this Royal Decree for the case of listed companies whose financial viability is in serious or imminent danger. The exemption was requested by Banco Santander, S.A. as a consequence of the increase of its holding in Metrovacesa, S.A. up to 30% or more of the voting rights, which could result from the execution of a capital increase of Metrovacesa, S.A, to be subscribed by offsetting loans of the Santander Group and other financial institutions. In the exemption proceedings, published under the significant events on the CNMV's website, it was justified that the financial viability of Metrovacesa was in serious and imminent danger and that the transaction was conceived so as to guarantee the long-term financial recovery of the company, and a report prepared by independent experts was included to this effect. Once the capital increase was completed, the voting rights in Metrovacesa attributable to the Santander Group under the takeover regulation accounted for 34.9% of the total.

There was another takeover bid exemption in 2011, which did not require a prior request and, therefore, authorisation by the CNMV. This related to the obtaining of 38.4% of the voting rights of Banco de Valencia, S.A. by Banco Financiero y de Ahorros, S.A. (BFA), as a consequence of the integration of Caja Madrid, Bancaja and other savings banks which assigned to BFA the voting rights of some of its investee companies, which included Banco de Valencia. The entry into force of the First Additional Provision of Royal Decree Law 2/2011, of 18 February, on the strengthening of the financial system, provides an exemption from making a takeover bid for takeovers of listed companies resulting from restructuring and integration agreements of credit institutions, when these actions are carried out with the financial support of the Fund for Orderly Banking Restructuring (Spanish acronym: FROB) or the Deposit Guarantee Fund. This was the case of BFA and, therefore, it was exempted from making a takeover bid for Banco de Valencia.

11.3 The Market Monitoring Unit

The Market Monitoring Unit (Spanish acronym: UVM) is the investigation unit responsible for detecting possible practices that endanger the integrity of the market. The UVM investigates the possible use of insider information and possible market manipulation. The UVM also checks compliance with the obligations for safeguarding insider information by securities issuers, investment services firms, investment advisory firms and, in general, anyone who possesses this type of information. Finally, the UVM checks compliance with the obligation of financial intermediaries who operate in securities markets to report suspicious transactions. In discharging its duties, the UVM regularly requests the collaboration of the supervisory authorities of other countries, under the cooperation and information sharing agreements in force.

Once the UVM's investigations are completed, the Executive Committee of the CNMV may decide to take subsequent action, in particular, with regard to initiating disciplinary proceedings. In 2011, the following four disciplinary proceedings were initiated:

– Against one issuer of securities which, during the study stage and subsequent negotiation of a sales transaction of a strategic asset, did not prepare the documentary register with the identification of all the persons which had access to the insider information, both within the company itself and those of the advisors participating in the transaction. The investigation of the situation revealed that persons who should have been included in that documentary register performed transactions with the shares of the issuer during the negotiation of the sales transaction.

– Against the secretary of the Board of directors of one securities issuer for using insider information on performing transactions in shares of the company during the negotiation stage of a financial operation, the main characteristics of which had been addressed in a Board of Directors meeting.

– Against the chairperson and main shareholder of a securities issuer and one of its directors and a company controlled by the former, for performing market manipulation in the issuer's shares. This manipulation consisted of performing transactions in the company's name, monopolising trading in the share, especially in periods of closing auctions, distorting the free formation of prices by generating an upward trend in prices which was then quickly reversed when the practices ceased.

– Against one natural person, the representative of a legal person appointed as a member of the Board of Directors of an issuer for market manipulation in the shares of that issuer. This manipulation consisted of executing sale/purchase transactions of shares during the closing auctions of certain sessions for significant volumes in the name of two legal entities, without there being a real transfer of ownership of the shares given that the buyer and seller were the same legal person, thereby distorting the free formation of prices. Bearing in mind the characteristics of the orders made by this natural person and the executions finally carried out in the market, disciplinary proceedings were also brought against the investment services firm which channelled the aforementioned trading as it did not report suspicious transactions to the CNMV.

Finally, in 2011 the UVM collaborated with the legal authorities by sending various reports and making declarations in the processes initiated in previous years as a consequence of the transfer to the Tax Ministry of investigations carried out on the use of insider information and market manipulation.

12 Supervision of entities

12.1 Supervision of codes of conduct and organisational requirements in the provision of investment services

In 2011, the CNMV's supervisory activity in respect of firms providing investment services paid special attention to the treatment of clients' credit balances and compliance with solvency requirements by investment services companies (hereinafter, investment firms), and the information provided to retail clients by these entities and by credit institutions.

As a result of supervisory actions during the year, the CNMV sent out a total of 968 deficiency letters to supervised entities, 8.8% fewer than in 2010, of which 663 originated from off-site supervision, mainly based on information sent by the entities themselves. As can be seen in table 12.1, the main reason for sending deficiency letters was to ask for additional information. The entities which received most deficiency letters were credit institutions.

Supervision of investment firms: deficiency letters sent by the CNMV in 2011 TABLE 12.1

	Actions		
Type of deficiency letter	**Off-site**	**On-site**	**Total**
For late filing of information	166	N/A	166
Requests for information	457	248	705
Corrective measures or recommendations	30	42	72
Other notifications	10	15	25
Total	**663**	**305**	**968**

Source: CNMV.

12.1.1 Conduct of business rules

Of the analyses conducted in 2011, order receipt, transmission and execution services, and financial advice and portfolio management services were once again the main focus of supervisory interest. In particular, the supervision of procedures to assess appropriateness and suitability criteria was especially intensive. Close attention was also paid to the examination of the level of compliance with disclosure obligations in respect of marketed financial instruments, especially complex instruments mass-marketed to retail clients.

The trading practices of financial institutions in secondary markets also received priority attention. And it should also be noted that, as detailed in exhibit 12.1, the

CNMV honoured the commitment made in its 2011 Plan of Activities to review the procedure for matching transactions involving hybrid instruments between clients.

Horizontal review of the mechanisms for matching hybrid products between clients

EXHIBIT 12.1

During 2011, in accordance with the Activities Plan for that year, the CNMV conducted a review of the mechanisms used by firms to internally match the trade orders of their clients relating to hybrid products (preferred shares and subordinated debt). This action formed part of an effort to strengthen supervisory tasks in this area and was a continuation of the initiatives adopted by the CNMV in recent years regarding the verification of fixed-income issues aimed at retail investors and the subsequent marketing and trading process.

Perhaps the most important of these initiatives was the publication in February 2009 of a letter to the sector setting out the criteria that would be used to verify issues of hybrid products aimed at retail investors, in order to prevent the inherent conflict of interest in the placement of own issues from causing investors to suffer from disadvantageous issue conditions. The main innovation was that, in the absence of issue tranches aimed at institutional investors, reports would be required from independent experts certifying that the issue conditions were comparable to those obtainable on a wholesale market. Furthermore, in May of that same year, the CNMV published a document on best practices in the marketing of financial instruments which included guidelines on the demarcation between advice and marketing, the information to be given to the client, internal procedures, the documentation made available to the commercial network, and the importance of strict compliance with current rules on suitability assessment. In June 2010, the CNMV published another letter to the sector on the updating of the criteria for verifying issues aimed at retail investors and on their subsequent trading. Among other aspects, this new letter deemed the existence of internal mechanisms for matching trades between clients to be bad practice, unless conflicts of interest were properly managed.

The review of the procedure for trade matching scheduled for 2011 was framed in the context of the above, with a view to verifying the degree of implementation of the guidelines established by the CNMV. This action included the review of the procedures of a significant sample of entities - more than 90% of the sector - which enabled the CNMV to identify the problems and weaknesses in the procedures being used by firms. As a result of the review, the CNMV deemed it necessary to keep clients properly informed of the value of their investments, in order to improve the management of possible conflicts of interest and help ensure the proper functioning of the secondary market of these instruments. In a context in which the real value of hybrid products had been moving away from its nominal value, entities were reminded that it was considered to be bad practice not to inform their clients of the market value or, failing that, and in the event of a significant deviation, of the fair value, both when the client makes a trade order and when preparing the information that the entity sends the client about the securities that the former holds on the latter's behalf.

In 2011, the CNMV also carried out supervisory actions regarding the procedures used by certain firms in the marketing of preferred shares or the management of trade orders subsequent to their issue. These actions gave rise to four proposals to initiate disciplinary proceedings, two of them already approved in 2011, and the adoption of compensatory measures in respect of their clients by the entity in the other two cases.

Last year, for the first time, confidential returns were received relating to the conduct of business rules set out in Circular 1/2010. As an exception, this first remittance covered activity data for December 2010 only.[1] The analysis of the information received enabled the CNMV to define a number of indicators for the sector's activity which will be very useful from a supervisory point of view.

From the inspections carried out on credit institutions and investment firms during 2011, the CNMV was able to detect several significant incidents concerning the marketing of financial products, especially in the case of instruments issued by the marketing entity itself. Among others, the following incidents were detected: (i) poor design of the suitability questionnaires, for example, some cases in which the academic education of the client was not examined or which contained defects in the analysis of clients' investment experience in financial instruments of very different types, and others which contained answers that were mutually inconsistent; (ii) incorrect design of the suitability test in cases in which the clients' know-how or experience was sometimes not analysed; (iii) errors in the classification of financial instruments which were sometimes classified as not complex when in fact they were; (iv) incorrect determination of the general context in which some trades of financial instruments are processed, such as cases in which it was assumed as a matter of course that all trades of non-complex instruments were made on the initiative of the client and therefore were treated as "execution only"; (v) shortcomings in the information provided to clients regarding the nature of the instruments being marketed, so that clients were not always provided with balanced information which pointed out the risks inherent to such instruments, or insufficient information was provided about the incentives received by the marketing entity; (vi) unresolved conflicts of interest in the marketing of financial instruments.

In the specific controls of portfolio management activity, it was observed that one entity had set limits on the definition of the risk profiles of portfolios which might, in some cases, result in the assumption of risks greater than the result obtained using suitability assessment.

12.1.2 Organisational requirements

In 2011, the CNMV reviewed the reports on client asset protection (hereinafter, IPAC) for the year 2010. These are regulated by Circular 5/2009 and are prepared by the external auditors of investment firms and other entities which provide custody services, client asset administration services, or discretional and individualised portfolio management services. Last year, 246 reports of this type were received from

1 Hereinafter confidential returns will be reported annually and will refer to the activity of one complete calendar year.

the various types of entities which are subject to this obligation, as per the breakdown shown in table 12.2.

Reports on client asset protection (IPAC) TABLE 12.2

	2010			2009
Type of entity	No. of registered entities	No. of exempt entities[1]	No. of IPACs	No. of IPACs
Domestic credit institutions	189	33	156	167
Broker-dealers and brokers	95	31	64	64
Non-EC branches of credit institutions	8	6	2	2
Portfolio management companies	6	1	5	9
UCITS management companies	123	104	19	28
Total	**421**	**175**	**246**	**270**

Source: CNMV. (1) Entities which do not undertake activities subject to the review of organisational requirements.

As well as analysing the type of opinion and the recommendations of the auditors, the measures sent by the entities to the CNMV to remove qualifications and implement the relevant recommendations made by the auditors in the IPACs of 2009 were examined to verify that they had been effectively implemented. Special attention was paid to verifying that, when preparing the IPAC, auditors had taken into account the amendments to Guidance number 29 of the ICJCE (Spanish Institute of Chartered Accountants), concerning the conduct of fieldwork relating to the auditors' report on client asset protection. These amendments were included in the addenda of April 2011, at the proposal of the CNMV, to reduce the auditor's work and achieve a higher degree of homogeneity in the preparation of the IPAC. Verification was also made of the value of the work performed by the auditor on the issue of IPACs in terms of putting an economic value on organisations.

The IPAC represents an improvement in the application of procedures and controls by entities and a reduction in transaction risk. The review of IPACs for 2010 did not reveal any serious incidents which might indicate the existence of imbalances in assets belonging to clients.

In 2011, also in the realm of organisational requirements, the CNMV paid special attention to the review of self-assessment reports on capital adequacy and solvency. A total of 94 reports of this type were received (entities may send them on an individual or consolidated basis). In their review, special attention was paid to the formal requirements that these reports have to meet and the accuracy of the figures contained therein. Of the main incidents brought to light by the review, the most important incidents of a quantitative nature were errors in the quantification of capital and reserves, both eligible and callable, in medium-term capital planning, and in the estimation of capital requirements due to other risks. The main incidents of a qualitative nature were lack of detail regarding the procedures and policies for risk control and management, and the functions performed by the internal audit departments in relation to solvency. Despite these incidents, the self-assessment reports analysed may be considered to be adequate, confirming that the sector is amply capitalised, the size of investment firms is relatively small, and the risks to which they are exposed are reasonably limited.

With regard to the solvency reports that investment firms have to publish at least once a year in order to meet transparency requirements, the conclusion is that, generally speaking, they are adequate. However, some incidents, mostly of a formal nature, have been detected which are not considered to be significant.

12.1.3 Regulatory changes

In 2011, the CNMV published Circular 7/2011, of 12 December, on fee prospectuses and the content of standard agreements. This circular, which repealed circulars 1/1996 and 2/2000, governs the content of fee prospectuses and their control by the CNMV, and the general content of standard agreements and the specific content that should be covered by management agreements for portfolios and the safekeeping and administration of financial instruments. This circular also amended confidential returns G11 and M4.1, provided for in Circular 7/2005 on contributions to FOGAIN (investment guarantee fund), and added the new statement T16 to the ones already provided for in Circular 1/2010, for the purpose of gathering standardised information about the fees actually charged.

At a European level, the most important development was the publication by the European Commission of its proposal for review of the MiFID Directive. The main changes concerning the provision of investment services are summarised in exhibit 12.2.

Review of the MiFID: main new developments concerning investor protection and the provision of investment services EXHIBIT 12.2

The proposal for review of the MiFID, presented by the European Commission on 20 October 2011 before the European Parliament and the Council, contains important changes regarding the provision of investment services.

With regard to the Directive's scope of application, the Commission recognises the need to establish an adequate level of investor protection in respect of structured deposits sold by credit institutions or advice given regarding the same by those credit institutions, and therefore proposes that the Directive is made fully applicable to those products. The Directive also reclassifies the service of administration and safekeeping of financial instruments on behalf of clients, hitherto considered as an ancillary service and which would now be deemed an investment service.

With regard to conduct of business rules, the changes proposed by the Commission aim to achieve a better framework for investor protection, in the light of the experience accumulated since the MiFID came into force. In this respect, the following changes should be noted, among others:

i The conditions under which the service known as "execution only" is provided are set out more clearly. This service is limited to the execution and/or receipt and transmission of orders, without the need to assess the suitability of the service or the instrument for the client. In particular, the Commission aims to prevent that, bundled into the provision of this service, credits or loans are granted in support of the client's participation in transactions in which the investment firm is also involved, since the Commission's view is that such transactions may be complex and make it difficult for the client to fully understand the associated risks. The Commission also proposes a more appropriate selection of the financial instruments to which this "execution only" service can apply, so as to exclude those involving derivatives or structured products, including UCITS, which make it difficult for the client to fully understand the risks.

ii More information is included regarding cross-selling practices in which there is an offer to acquire two or more products, generally as a bundled package. In particular, the Commission proposes that when one or more financial services are offered to the client as a package, firms should inform that client as to whether it is possible to buy the different products separately, and what the costs and fees of buying each component separately are.

iii It will be mandatory to assess the client when offering financial instruments which are subject to other EC rules or common European standards applicable to credit institutions, thereby eliminating the current exemption.

iv A number of pre-contractual disclosure obligations pertaining to the provision of investment advisory services have been included. In particular, companies will have to inform the client about whether the advice given is independent, whether it is based on a broad or more limited analysis of the market, and whether the entity will provide the client with an ongoing assessment of the suitability of the recommended instruments. It is also necessary to specify how the advice given will be tailored to the client's characteristics.

v Companies providing independent advisory services and discretional portfolio management are prohibited from receiving incentives from third parties.

vi New disclosure obligations are established aimed at providing clients of investment firms with a quality assessment of the execution of orders. In particular, each year the entity will have to make public which were the five main execution centres where orders from clients were executed the previous year for each type of financial instrument. Meanwhile, trading centres will have to publish data regarding execution quality.

With regard to organisational requirements, the most important new developments are as follows:

1. With the aim of improving the quality of corporate governance, Member States will have to ensure compliance with integrity, knowledge and experience criteria for all members of the investment firm's Board of directors, and the observance of certain requirements aimed at ensuring that these members dedicate enough time to the performance of their duties. Member States will also require the investment firm to take into

account diversity criteria in terms of gender, age, education, profession and geography in the selection of the members of its board of directors.

2. It is proposed to eliminate the discretional criteria which currently continue to exist at a domestic level in terms of tied agents, so that in all Member States transactions can be made through dealers which are not permitted to handle clients' funds and/or securities under any circumstance.

3. A common system of mandatory telephone and electronic records is established at a European level covering, at least, the receipt, transmission and execution of proprietary trades and trades on behalf of clients. Records should be kept for at least three years.

Finally, a system of mutual recognition for the authorisation of investment firms of third countries has been established, so that once a licence to operate in a Member State has been obtained, the authorised entity can operate in the rest of the EU. For the purpose of requesting such a licence, the European Commission will decide whether the authorisation and supervision system of the third country meets the necessary requirements.

Finally, with regard to the processes involved in the issue of shares or mandatory convertible debt securities, provided for in Royal Decree-Law 2/2011, of 18 February, on the reinforcement of the Spanish financial system, it is important to note that it is expressly mentioned that this type of security should be marketed in accordance with the criteria established by the CNMV to assure adequate investor protection. This new item of legislation also stipulates that when such issues are aimed at retail clients, the issues or their underlyings should be admitted to trading on an official secondary market.

12.2 Prudential supervision of investment firms

The prudential supervision of investment firms focuses on two main areas: on the one hand the analysis of the economic-financial situation and the viability of the entity and, on the other, the risks associated with its activity. Supervision is based on the information sent periodically to the CNMV, which is complemented by on-site inspections.

In 2011, as part of its off-site supervision of investment firms, the CNMV continued to closely monitor all entities in which there had been incidents liable to affect their solvency, and paid special attention to client credit balances held by investment firms. In particular, during the year an analysis was made of the investment of the instrumental and temporary credit balances held by broker-dealers and brokers. In some entities there was evidence of certain deficiencies, now resolved, such as the inadequate segregation between own and clients' cash or the absence of an adequate nomenclature of clients' accounts in such a way as to enable them to be identified as such.

Further to the above supervisory activity, the possibility of changing the regulatory treatment of cash balances in investment firms was also examined. As a result, a report was prepared and sent to the Ministry of Economy and Finance containing proposals for changes affecting, among other legislation, the Insolvency Act and the Securities Market Act, the aim of which is to clarify the application of property law and the separation of client balances in the event of an investment firm initiating bankruptcy proceedings.

With regard to the on-site inspections made during the year, we would highlight the detection, in some cases, of deficiencies in the registration and documentation associated with the provision of advisory services. It was also found that in some firms there was evidence of deficiencies in the registration of orders.

Changes to the rules on solvency

In January 2011, Circular 1/2011, amending Circular 12/2008, on the solvency of investment firms and their consolidated groups, was published in the BOE (Official State Gazette) in order to incorporate the amendments of European Commission directives 2009/27/EC and 2009/83/EC. Also, in December 2011, the CNMV published Circular 5/2011, which embodies amendments of the aforementioned circulars 12/2008 and 7/2008, on accounting rules, financial statements and confidential returns of investment firms, UCITS management companies, and venture capital firms.

The amendment of Circular 12/2008, published in Circular 5/2011 transposes the content of directives 2009/111/EC and 2010/76/EU, amending directives 2006/49/EC, on the capital adequacy of investment firms and credit institutions, and 2006/48/EC, on access to and the exercise of the activity of credit institutions. More specifically, the new Circular modifies the treatment of certain instruments as capital and reserves of investment firms and their groups, detailing the new conditions which hybrid instruments must meet in order to be considered as such. The Circular also modifies the large exposure regime, making it more flexible and increasing its limit from 25% to 100% of capital and reserves under certain circumstances, specifies the characteristics of internal models for determining market risk, and introduces new requirements concerning remuneration, subject to the principle of proportionality.

The amendment of Circular 7/2008, also embodied in Circular 5/2011, incorporated rules relating to business combinations and consolidation, reflecting the principles set out in Royal Decree 1159/2010, of 17 September, which approves the rules for the formulation of consolidated financial statements and modifies the General Chart of Accounts approved by Royal Decree 1514/2007, of 16 November, and the Chart of Accounts for Small and Medium Enterprises, approved by Royal Decree 1515/2007, of 16 November. To this end, it was decided to regulate these specific matters by reference to Bank of Spain Circular 4/2004, of 22 December, on credit institutions, public and confidential reporting rules, and models of financial statements.

12.3 Supervision of UCITS

Last year was once again, in general terms, a difficult year for UCITS, as can be seen in Chapter 7. The CNMV's supervisory effort in this area was particularly focused on the evaluation of the impact on UCITS portfolios of the behaviour of certain variables critical to some segments of the market. In particular, the CNMV closely monitored the impact on the portfolios of these institutions of the falling credit quality of sovereign debt and financial issuers, the low liquidity of some private fixed-income assets, and the weakness of the real estate sector.

The CNMV continued to pursue its supervisory activity through two complementary channels: off-site supervision, based on the analysis of the financial statements sent to the CNMV by UCITS or their management companies on a monthly basis, which includes a list of the individual positions of the portfolios and a list of the derivatives of all registered UCITS; and on-site verification, largely based on the more specific aspects of UCITS which cannot be reflected in standardised reporting models.

As a result of all the supervisory actions carried out, in 2011 the CNMV sent out 1,698 deficiency letters to supervised entities, 13.1% fewer than in 2010. As shown in table 12.3, most of these letters were requests for information presented late, which accounted for 58% of the total. These deficiency letters were mainly due to the late sending of audits of UCITS and the confidential returns of venture capital firms. During 2012, there is a plan to develop an electronic system for sending the audits of supervised entities, which will improve the control of compliance with this obligation and will facilitate the availability of the content of auditor's reports via the CNMV's public records.

Deficiency letters requesting information required for supervision, other than that generally available, accounted for 13% of the total, while those calling for the adoption of corrective measures in respect of incidents detected as a result of CNMV supervision accounted for 31%.

Supervision of UCITS: deficiency letters sent by the CNMV in 2011 TABLE 12.3

	Actions		
Type of deficiency letter	**Off-site**	**On-site**	**Total**
For late filing of information	943	5	948
Requests for information	123	89	212
Corrective measures or recommendations	431	73	504
Other notifications	9	25	34
Total	**1,506**	**192**	**1,698**

Source: CNMV.

12.3.1 Supervision of prudential requirements and conduct of business rules

The off-site supervision of UCITS is basically conducted on two levels. The first consists of the performance of periodic analyses, applicable to the sector as a whole, whose purpose is to ensure ongoing control over such aspects as the adequacy of resources and the internal controls of management companies, the prevention of conflicts of interest, and compliance with legal and investment suitability coefficients. The second level consists of the performance of analyses of a thematic nature, relating to issues which have arisen due to market trends or which have been detected by the CNMV's supervisory activity.

Of the periodic controls performed during 2011, perhaps the most important were those whose purpose was to verify compliance with the overall diversification ratios limiting UCITS' exposure to counterparty risk and to the market risk of an economic group, whether in fixed income, equity, treasury or derivatives. These controls are especially important due to the concentration processes which have taken place in domestic financial groups during the year. Priority attention was also paid to UCITS whose portfolios contained securities with downgraded credit ratings, in order to check that these institutions had a plan in place to perform a timely regularisation of non-compliances with prospectus requirements arising as a result of this circumstance. Particular attention was also paid to the verification of compliance with the limits on trading in derivatives placed on UCITS. In 2011, the analysis of this trading took into account the entry into force of CNMV Circular 6/2010, which changed UCITS management companies' obligations in this matter.

With regard to non-recurring supervisory analyses, the most important of those performed in 2011 were in the areas of valuation and liquidity management of fixed-income investments. These controls, which have become especially important since the beginning of the financial crisis, help detect management firms with significant percentages of their portfolios invested in fixed-income securities with low liquidity, and firms which may not be applying valuation procedures which take into account current market conditions. These analyses are accompanied by reviews of procedures for the application or trading of assets between UCITS in order to ensure that they meet current regulations on related party transactions at all times.

Other thematic controls performed during 2011 included: (i) the analysis of UCITS' exposure to certain financial groups, especially those which had been the subject of special actions by the banking supervisor, in order to control compliance with the legal limits and detect possible conflicts of interest; (ii) controls aimed at index or tracker funds, in order to verify the correct calculation tracking errors and compliance with the established limits for those errors, and the adequacy of information to investors concerning those errors and the returns obtained; (iii) controls of the exercise of voting rights of the securities in portfolio, in fulfilment of fund managers' fiduciary duty towards UCITS investors; and (iv) the analysis of the calculation of the fees charged on UCITS and the legality of the limits applied, paying particular attention to performance fees, which are subject to rules to prevent fees being charged twice for the same results (high watermarks).

As well as these thematic analyses applicable to the sector as a whole or to certain segments of that sector, a large number of specific analyses were performed aimed at individual entities (investment in unsuitable assets, non-compliance with investment limits and ratios, supervision of the valuation of their portfolios, and conflicts of interest, among others).

Finally, in accordance with the provisions of the CNMV Plan of Activities, in 2011 a horizontal review was conducted of the degree of adaptation of UCITS management companies to the requirements of CNMV Circular 6/2009 on internal control. In the last quarter of 2010, a questionnaire was sent to UCITS management companies concerning the internal control structure required in the aforementioned circular and, on the basis of the answers received, an analysis was made of the entities' degree of adaptation to the regulation. The conclusion was that most UCITS management companies had adjusted their internal structures appropriately or had chosen to delegate the required functions to group or external entities.

12.3.2 Disclosure to investors

UCITS regulations require firms to send audit reports and annual financial statements to the CNMV. This information must be delivered to investors as part of the annual report. All these documents are fundamental to the performance of the supervisory duties entrusted to the CNMV, and, therefore, special attention was paid to the review of their form and content, and compliance with presentation deadlines. In particular, in the review of the audit reports for 2010, conducted in 2011, qualifications and emphasis of matters paragraphs were examined with special care. To a great extent these were due to difficulties relating to the behaviour of the financial markets, such as investment in illiquid or hard-to-value assets, the presence of levels of ownership and participant levels below the legal limits, and the existence of UCITS in liquidation, among others.

Meanwhile, in the present context of uncertainty in the markets, proper disclosure to investors is of vital importance. For this reason, in 2011 the CNMV continued to analyse the quality of the quantitative information contained in public disclosures from UCITS. These controls were aided enormously by the new XBRL format used in the reports. In addition to analysing data on performance, volatility, charges, balance sheet aggregates, etc. included in public disclosures, the controls also verified the qualitative and descriptive information in those reports, in order to ensure that investors receive clear and understandable explanations concerning the behaviour of markets and its impact on returns and the risk assumed by the fund. Controls also continued to be performed on the obligation to disseminate public disclosures from UCITS (prospectuses, quarterly/half-yearly reports and annual audited financial statements) on the website of the management company or its group.

In the field of disclosure to investors, one noteworthy development in 2011 was the replacement of the simplified prospectus by the key investor information document, whose main features are explained in exhibit 12.3.

Main features of the new Key Investment Information Document

EXHIBIT 12.3

Subsequent to the amendments introduced by Law 31/2011, Article 17 of the UCITS Act established the obligation to make available to shareholders, participants and the general public the Key Investment Information Document (KIID) provided for in section 3 of Directive 2009/65/EC, on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS IV). All investment funds and firms, regardless of whether or not they comply with the UCITS IV Directive, are subject to this obligation, although in some cases its application is not yet implemented.

EU Regulation 583/2010 of the European Commission, of 1 July, which establishes, among other things, the provisions applicable to the aforementioned directive with regard to the KIID, comprehensively sets out the requirements of the document in terms of both form and content. Meanwhile, the CESR, the forerunner of ESMA, had published recommendations aimed at preventing discrepancies between Member States with regard to the interpretation of EC rules in respect of this matter.

In the aforementioned directive, the KIID is established as a standalone document of a pre-contractual nature to replace the current simplified UCITS prospectus. The reason behind the replacement of simplified prospectuses is that they failed to meet the intended aim of acting as an instrument of comparability and transparency in respect of the main features of UCITS, due to the significant lack of homogeneity, both between products and between the various Member States, and their excessively technical content.

The most important new features of the KIID compared with the current simplified prospectus are the following:

– A specific layout and a clearly defined content, which must be covered in the following order: 1) title, "Key Investment Information Document"; 2) explanatory statement concerning the nature of the KIID; 3) identification of the UCITS; 4) name of the management company and its group; 5) objectives and investment policy; 6) risk and reward profile; 7) charges; 8) past performance; 9) practical information, country of origin and supervisory authority; 10) whether the management company is foreign, its country of origin and supervisory authority; and 11) date of the KIID.

– A maximum length of two pages (can be increased to three pages in the case of structured UCITS).

– The inclusion of an indicator of ongoing charges as a measurement of the total charges incurred by the UCITS, replacing the *ex ante* information on UCITS fees. This indicator will not include either entry and exit charges or performance fees and will be a single figure showing the charges incurred by the UCITS during the preceding year. This figure will remain unchanged for as long as it is representative and, otherwise, will be modified to reflect the expenses actually incurred.

– A synthetic risk and reward indicator, on a scale of 1 (lowest risk) to 7 (highest risk), based on past volatility. The aim is to provide the investor with an understandable figure regarding the fund's risk profile, using an indicator which is applicable to all UCITS and is easy and cheap to implement.

– A figure indicating historical performance over the last ten years, although performance simulations will be admitted under certain circumstances. In the case of structured UCITS this will be replaced by three simulated performance scenarios, one unfavourable, one moderate, and one favourable.

– The use of clear, simple and concise language, avoiding the use of technical terminology or terms that may be misleading, and a clear typeface with a minimum font size.

In short, the KIID means the disappearance of the simplified prospectus for UCITS and the appearance of a new document harmonised across Europe with a standardised structure and content, which will make it easier for the investor to understand investment products and compare UCITS with one another.

12.3.3 Supervision of HF and FoHF management companies

In 2011, the supervision of hedge funds paid special attention to three issues: the impact on funds of hedge funds of the suspensions of certain funds forming part of their portfolios, ongoing liquidation processes, and the levels of risk assumed by the investment vehicles. In the first case, the controls were aimed at funds of hedge funds whose portfolios contained hedge funds with liquidity problems (fund restructurings, the opening of liquidity windows, the creation of side pockets with problem assets, etc.), in order to ensure that the management companies were taking the appropriate transparency and participant protection measures. In the second case, the CNMV monitored the liquidations which a large number of FoHF have been forced into due to problems with the underlying hedge funds. This analysis was completed with a review of the performance of these institutions, in order to verify their reasonableness. In the third case, by means of the confidential reporting sent periodically by management companies, the risk assumed by hedge funds as a result of borrowing, derivatives trading, and securities lending.

12.3.4 Supervision of UCITS depositaries

As in previous years, in 2011 supervisory actions were conducted, both on- and off-site, referring to the work of UCITS depositaries. In the first case, the analysis of the half-yearly reports on the function of supervision and oversight of depositaries went on. These controls paid special attention to incidents involving valuations reported by the depositaries, non-compliance with investment policy, transactions not made on a regulated market, and reconciliation differences of cash and securities balances. With regard to on-site supervision, a number of actions were carried out in which particular attention was paid to the ability of entities to perform their functions. In particular, a review was conducted of the resources specifically allocated to the function of supervision and control of the activity undertaken by UCITS management companies. In this respect it should be noted that the inspections carried out on UCITS management companies enable the supervisor to analyse indirectly how well this function is performed.

12.3.5 Supervision of real estate UCITS

In the field of supervision of real estate UCITS, in 2011 the two year redemption suspension period expired for two of these institutions, the suspension in both cases being due to the high level of redemption requests. One of these funds agreed to go into liquidation and the CNMV is now overseeing the liquidation process in order to ensure that the relevant legislation is applied and that its participants are properly informed.

With regard to other real estate funds, the CNMV monitored the situation closely. In particular, controls paid priority attention to: (i) the liquidity of these funds, especially in the months prior to liquidity windows, in order to anticipate any problems when redemptions were due; (ii) the analysis of the performance of the funds and of the appraised value of the properties in portfolio; and (iii) the quality of the periodic public information on the situation of the real estate market.

12.4 Supervision of venture capital firms

The audit reports for 2010, received in the first four-months of 2011, were the first to be prepared in accordance with Law 12/2010, of 30 June, amending Law 19/1988, of 12 July, on the auditing of accounts, the Securities Market Act 24/1988, of 28 July, and the consolidated text of the Public Limited Companies Act, approved by Royal Legislative Decree 1564/1989, of 22 December, for its adaptation to EC legislation.

In the case of venture capital firms, this regulatory change has meant a significant decrease in the number of qualified audit reports since, in a significant number of VCFs with uncertainties due to transactions with group companies or asset imbalances, previously considered as qualifications, in 2011 they were classified as emphasis of matters paragraphs.

As a result of off-site supervision, a slight increase in the equity of VCFs as a whole was observed, largely the result of amounts of paid-in capital. Also noteworthy is the slight increase in net losses in the sector compared with previous years. The number of entities with problems reaching the mandatory minimum investment ratio rose as a consequence, on the one hand, of a larger number of VCFs for which the initial three-year exemption from compliance with that ratio had expired and, on the other hand, of the difficulties for VCFs to find viable investment projects due to the unfavourable economic climate.

In the field of on-site supervision, in 2011 one-off supervisory actions were carried out in order to confirm the remedying of incidents detected previously.

12.5 Supervision of securitisation fund management companies

During 2011, no on-site supervisory actions were carried out in respect of securitisation fund management companies (Spanish acronym: SGFT). However, some off-site monitoring actions were carried out in relation to incidents detected in previous inspections.

12.6 Collaboration in the prevention of money laundering

Within the framework of collaboration between the CNMV and SEPBLAC (Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences), a review was made of the degree of compliance with money laundering prevention obligations in those entities previously agreed with SEPBLAC in 2011.

13 Investor assistance

13.1 Complaints management

The CNMV handles the complaints filed by investors in connection with the supervisory activities it has been entrusted with. However, investors should first address these complaints to the customer care service and/or customer ombudsman of the entity they refer to. If the entity does not answer within two months of filing the complaint, or if the answer is considered to be unsatisfactory, investors may file a complaint with the CNMV. Resolutions adopted by the CNMV in respect of complaints filed are not binding for the entities concerned, although they may help the investor in the defence of his or her interests.

In 2011, 2,005 complaints were filed with the CNMV, 12.7% fewer than in 2010. However, as shown in table 13.1, the number of complaints handled increased by 15.4% compared with 2010, which reduced the number of unresolved complaints to 1,216 at year end.

Complaints processed broken down by type of resolution TABLE 13.1

No. of complaints and percentage of the total no. of complaints handled

	2009		2010		2011		% change
	No.	%	No.	%	No.	%	11/10
Resolved	**823**	**72**	**1,774**	**85**	**2,086**	**87**	**17.6**
Report favourable to claimant	292	26	805	39	1,218	51	51.3
Report unfavourable to claimant	255	22	540	26	586	24	8.5
Report without decision	57	5	154	7	79	3	-48.7
Resolved by mutual agreement	198	17	242	12	187	8	-22.7
Complaint withdrawn	21	2	33	2	16	1	-51.5
Unresolved	**314**	**28**	**312**	**15**	**322**	**13**	**3.2**
Competence of other authorities	86	8	131	6	90	4	-31.3
Not accepted	228	20	181	9	232	10	28.2
Total complaints handled	**1,137**	**100**	**2,086**	**100**	**2,408**	**100**	**15.4**
Pro memoria							
Total filed	2,154	–	2,296	–	2,005		-12.7

Source: CNMV.

Resolved complaints accounted for 87% of the total. Favourable reports on complaints made by investors went up sharply compared with the previous year and now account for over half the complaints handled. Conversely, the number of complaints resolved by mutual agreement fell significantly. The combined total of favourable reports and complaints resolved by mutual agreement accounted for 67% of the complaints resolved. With regard to unresolved complaints, most were complaints that were not accepted do to their failure to meet formal requirements, as shown in table 13.1.

Most of the complaints were directed at credit institutions, which reflects their preponderant position as marketers of financial products and services. To be precise, complaints directed at credit institutions accounted for 76% of the total number of complaints resolved. It should be noted that 11 credit institutions received over 50 complaints and that 2 of these entities received over 200.

Complaints resolved. Breakdown by subject TABLE 13.2

No. of complaints and percentage of the total no. of complaints resolved

	2009		2010		2011		% var.
	No.	%	No.	%	No.	%	11/10
Provision of investment services	**525**	**64**	**1,349**	**76**	**1,709**	**82**	**26.7**
Receipt, transmission and execution of orders	256	31	690	39	1,147	55	66.2
Information provided to the customer	188	23	491	28	383	18	-22.0
Fees and charges	63	8	92	5	81	4	-12.0
Others	18	2	76	4	98	5	28.9
Investment funds and other UCITS	**298**	**36**	**425**	**24**	**377**	**18**	**-11.3**
Information provided to the client	108	13	181	10	173	8	-4.4
Subscriptions/redemptions	92	11	152	9	117	6	-23.0
Transfers	61	7	61	3	59	3	-3.3
Fees and charges	37	5	31	2	28	1	-9.7
Total complaints resolved	**823**	**100**	**1,774**	**100**	**2,086**	**100**	**17.6**

Source: CNMV.

As can be seen in table 13.2, the services of reception, transmission and execution of orders, and the information provided to the customer by the firms, were responsible for the vast majority of the complaints resolved last year. Swap contracts and preferred shares were the products most commonly targeted by complaints. With regard to the former, complaints referring to difficulties relating to early redemption accounted for 45% of the complaints resolved in relation to the provision of investment services. In the case of preferred shares, a significant number of complaints referred to allegations regarding difficulties in the processing of sale orders, the reason behind 16% of the resolved complaints concerning investment services. Meanwhile, shortcomings in the information provided in the marketing process for the products were also a significant reason for complaint and affected a variety of products, including the two mentioned previously. These complaints accounted for 18% of the resolved complaints, the same percentage as for complaints involving UCITS.

Monitoring of rectifications by entities

The CNMV monitors the rectifications made by entities in response to the complaints filed. Rectification is understood to be when the entity economically compensates the claimant or takes measures to prevent the subject of the complaint from happening again. As well as the preventive purpose – to prevent a repetition of bad practices - this monitoring enables the CNMV to analyse the complaints and evaluate the effectiveness of the complaint resolution service and entities' degree of observance of CNMV criteria and recommendations.

Of the 1,218 complaints resolved with a favourable report to the claimant in 2011, in 8% of the cases the entities rectified their behaviour in accordance with the previously described criteria. This percentage is lower than in 2010 (13.4%). Also, in 2011 the number of entities which did not rectify and/or disagreed with the CNMV's criteria increased (18.5% versus 15% the previous year). Entities which did not answer and therefore are included among those who did not rectify accounted for 60.3% of the total (71.4% in 2010).[1]

Especially significant complaints

Of the complaints resolved in 2011, a significant percentage referred to swaps, as was the case the previous year. The most common complaint voiced in regard to this matter was in connection with investors requesting the early redemption of their contract due to it incurring losses and being told of the high cost involved. In many cases it was found that the contract did not provide for the possibility of early redemption. When it was provided for, or when the entity accepted the request, the information that the redemption would be effected at market price was considered to be the minimum acceptable, but at the same time it was pointed out that it was considered to be a best practice for firms to provide the formulas used to calculate redemption costs, the elements taken into account in that cost, and the mechanisms available to investors to verify them. In any case, on receiving early redemption requests, the entity is obliged to advise everyone of the redemption costs before processing those requests. Also, some complaints referred to informational defects in the marketing process, either due to a lack of explanation of the characteristics and risks of this type of products, particularly in certain financial scenarios, or due to not having gathered enough information from the investors to check whether the product was suited to their investment profile.

As was mentioned earlier, complaints about preferred shares were particularly significant. These complaints centred on the contracting process or the entities' lack of diligence when attending to investors' sale orders. On the one hand, the complaints alleged that, prior to the acquisition of the securities by the clients, the information about the securities finally contracted was incorrect or incomplete. On the other hand, another common complaint was that, in the phase prior to the acquisition of the securities, the securities were offered to the clients without the firms having asked about the clients' experience, knowledge, or investment profile, or that, despite having obtained this information, the financial institution failed to take it into account.

Complaints due to the non-execution of sale orders referring to preferred shares and other securities were especially frequent in the second half of the year. The entities often claimed that there were no counterparties in the market for the acquisition of these securities. An analysis of the complaints brought to light a number of deficien-

1 At the date of preparation of this report, 13.2% of the reports favourable to the claimant had not received an answer, although they were still within the time allowed to do so.

cies in the management of sale orders for securities. In many cases there were excessive delays in the processing of sale orders, some even stretching to several months, without any justification. In other cases, the entities could not provide evidence that they had approached a liquidity provider, when this possibility was included in the product's issue prospectus. Finally, in some cases entities could not provide evidence of a proper and orderly management of their clients' sale orders nor of compliance either with its order execution policies or with the priority criteria established by the market.

With regard to complaints relating to UCITS, perhaps the most noteworthy were those referring to the lack of communication of the renewal of guarantees on their expiration, making it impossible for the participant to exercise the right to withdraw from the fund if they should so desire.

13.2 Queries

In 2011, 11,755 queries from investors were handled, a 10.8% increase on 2010.

Queries can be delivered by postal mail, by electronic form, or by phone. As shown in table 13.3, the most commonly used method is the phone, followed by the web form and postal mail. In 2009, the web form replaced e-mail, which was used marginally in 2010 and disappeared definitively as a consultation method in 2011.

90% of all phone queries were attended by call centre operators. These operators give guidance to investors to help them find the public information available on the CNMV's website.

No. of queries by mode of receipt TABLE 13.3

No. of queries and percentage of the total

	2009[1]		2010		2011		% var.
	No.	%	No.	%	No.	%	11/10
Telephone	9,556	70	8,219	77	8,417	72	2.4
E-mail[2]	2,944	22	29	0	0	0	-100.0
Postal mail	1,136	8	278	3	174	2	-37.4
Form[2]	38	0	2,087	20	3,164	27	51.6
Total	**13,674**	**100**	**10,613**	**100**	**11,755**	**100**	**10.8**

Source: CNMV. (1) In 2009, 574 queries were attended at investment fairs in which the CNMV participated which are not included in the total. (2) At the end of 2009, e-mail was replaced by the query form.

With regard to the topics of the queries, the most frequent were those referring to the functions and services of the CNMV, as can be seen in figure 13.1. This block includes queries concerning the status of complaints in process, notifications from the CNMV, and statistics and publications, among others. The second most frequent type of query was in relation to information contained in official registers (entity and UCITS registration data, records of significant events, rates and significant shareholdings, among other matters).

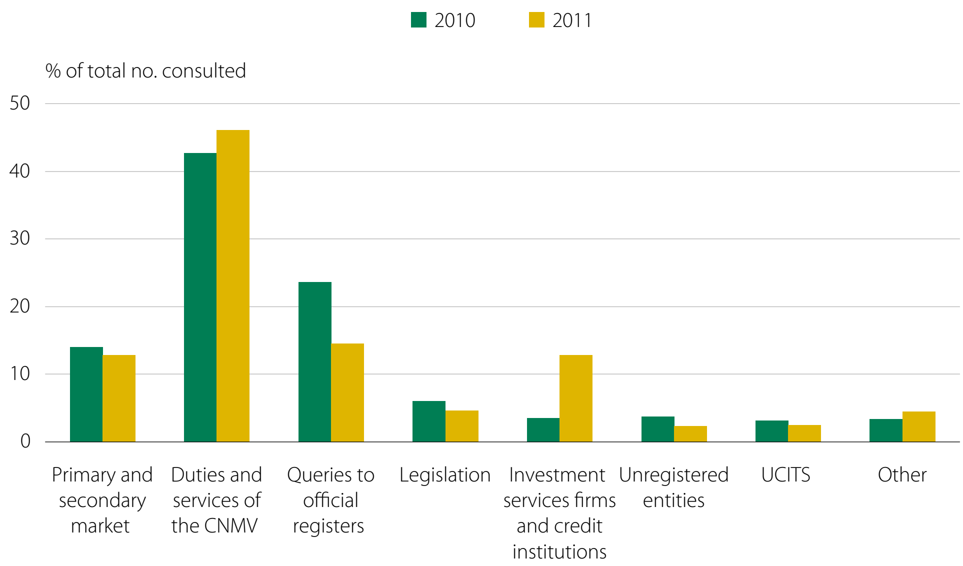
Queries relating to firms providing investment services, especially credit institutions, increased significantly compared with the previous year. This increase occurred mainly in the second half of the year, due to the numerous complaints from retail investors about the way certain hybrid instruments were being marketed and valued, and their liquidity conditions.

Meanwhile, the preventive ban on establishing or increasing short positions on Spanish financial stocks, adopted in August 2011, prompted a significant number of investors to ask for information about the scope of the measure.

In the realm of legislation, the rules of conduct applicable to relations between clients and firms providing investment services were a constant source of doubt.

Finally, and as in previous years, there were queries regarding companies either suspended from trading or involved in delisting processes. And once again there were requests for information about issues, expected dividends, fees and charges for investment services, and queries concerning unregistered entities offering high returns without any apparent risk.

Queries by topic FIGURE 13.1



Source: CNMV.

13.3 Investment Guarantee Fund (FOGAIN)

The FOGAIN (Investment Guarantee Fund, hereinafter FOGAIN) provides coverage when an investment firm is declared insolvent and cannot redeem the securities or financial instruments which it was holding as part of its investment services. If the investment service is provided by a credit institution, it is covered by the Deposit Guarantee Fund.

At year-end 2011, 142 entities belonged to FOGAIN, four fewer than in 2010. More specifically, eight new entities joined (two broker-dealers and brokers and six UCITS) while twelve left (five brokers and brokers, six UCITS and one branch of a foreign investment firm, see table 13.4).

Trend in no. of member entities TABLE 13.4

Type of entity	2008	2009	2010	2011
Broker-dealers /brokers	101	100	95	92
Portfolio management companies	10	9	6	6
UCITS management companies	34	40	44	44
Branches of foreign entities	1	1	1	0
Total	**146**	**150**	**146**	**142**

Source: CNMV.

The processing of compensation to the clients of Sebroker Bolsa, A.V., S.A., declared insolvent in March 2010 was the most important of FOGAIN's activity in 2011. At year-end 2011, 93% of the clients had been compensated. Also in 2011, FOGAIN continued to process requests for compensation from clients of entities which became insolvent prior to the creation of the Fund, specifically AVA Asesores de Valores, A.V., S.A., Gescartera Dinero, A.V., S.A. and, to a residual extent, Broker Balear, S.V., S.A.

As far as the recovery of the amounts paid out is concerned, after several years of negotiation, in January 2011 the National High Court found that FOGAIN could recover over 12.6 million euros corresponding to compensation payments made to customers of Ava, Asesores de Valores, A.V., S.A. The process to recover the amount paid out to Gescartera Dinero, A.V., S.A. customers has yet to be concluded.

Despite paying out compensation, FOGAIN's assets continued to grow in 2011 with the contributions from its member entities and the performance of the investments made with its assets in accordance with the security and liquidity criteria set out in its regulations. At 31 December 2011, FOGAIN had total assets amounting to a little over 56 million euros.

13.4 Investor education

13.4.1 Financial Education Plan

Within the framework of the agreement entered into in September 2009 with the Ministry of Education, the CNMV and the Bank of Spain continued with their efforts to promote the introduction of financial education as a subject in the school curriculum. During the academic year 2010-2011, a pilot programme was put into place aimed at third year pupils of Compulsory Secondary Education (hereinafter referred to by its Spanish acronym, ESO), the scope and most important results of which are summarised in exhibit 13.1.

Results of the assessment of the Pilot Financial Education Programme in ESO

EXHIBIT 13.1

Nearly 3,000 pupils of the third year of ESO from 32 public centres of education belonging to 14 Autonomous Regions took part in the pilot programme. The start-up of the programme required a major outlay of economic and human resources to prepare the pedagogical material, train the teaching staff, and set up ongoing lines of support for teachers and pupils.

The programme consisted of the delivery of a minimum of 10 hours, extendible to 20, on the basic concepts of personal finances and practical activities covering matters such as saving, payment methods, the main financial products, the production, implementation and monitoring of a budget or personalised financial plan and, also, some aspects relating to responsible consumption. In order to provide young people with a more practical and accessible approach to these subjects and to give the teaching staff more support, a portal was set up to provide a number of games, workshops, tools and interactive resources (www.gepeese.es).

On completion of the programme, and in accordance with OECD recommendations, the process was assessed by an independent expert in order to assess (i) possible improvements in terms of the technical knowledge of pupils, attitude and belief changes in respect of financial issues, and interest in and usefulness of the teaching materials used, and (ii) suitability of the training received by the teaching staff and the usefulness, appropriateness, and ease of use of the materials and resources available, among other aspects.

The results of the assessment were encouraging, especially in terms of the positive acceptance of the plan and the favourable attitude of the pupils towards it. There was also evidence that the technical knowledge of the pupils had increased after completing the course. The pupils considered that the subject matter was very useful in terms of their day-to-day life and their understanding of the environment they were living in, and a positive change was identified regarding their attitudes and beliefs about financial issues. The teaching material used was considered to be appropriate by both pupils and teaching staff, and the contents of the educational portal www.gepeese.es were considered to be particularly useful.

It should be noted that both the teachers and those responsible for the matter in autonomous regions whose opinion was canvassed regarding the extension and subsequent development of the programme suggested that it would be a good idea to include financial education as part of the school curriculum. Given that the effects of such an inclusion could only be fully revealed in future generations, it would be advisable to introduce these subjects as soon as possible, following the example of other countries which have already taken that step.[1]

1 Australia, Brazil, Japan, Malaysia, Netherlands, New Zealand, United Kingdom, South Africa and United States are some of the countries in which financial education is already a subject on the school curriculum.

Meanwhile, starting in September 2011 an advertising campaign targeting the entire population was launched with the aim of disseminating and publicising the Financial Education Plan, particularly the central portal of the plan, www.finanzasparatodos.es. Among others actions, adverts were inserted in both the digital and the printed press. This generated a significant increase in the number of visits to the portal, which now stands at nearly 650,000 since its launch in May 2010. Social networks were also exploited in order to make users aware of the resources and interactive tools available at the portal. In this respect we would highlight the inclusion of new contents and the development and incorporation of the new downloadable application "My budget". This open access, free-of-charge application enables users to interact with and download onto their PCs a tool which will help them keep a tight rein on their personal finances, set targets, and match their budget to their financial situation. We would also highlight the promotion of the portal and the education plan at events and fairs of an economic or financial nature, through the performance of actions aimed at disseminating its materials and contents.

Finally, it should be noted that in 2011 collaboration agreements were reached with a number of consumer associations, with the National Union of Credit Cooperatives (UNACC), and with the Democratic Union of Pensioners, in order to broaden the scope of the Financial Education Plan by involving as many different groups as possible. At the same time, specific collaboration agreements were entered into with a number of private entities to promote awareness of the insurance culture and pensions.

13.4.2 Educational activities of the CNMV

Publications and resources for investors

In the course of 2011, new publications for investors were produced and some existing ones were updated (see table 13.5). A special effort was made with regard to the dissemination of information and the promotion of the issues which are most interesting for retail investors. Distribution mechanisms were enhanced by updating the databases and sending more subscribers free investor fact files and guides, SMS alerts, and compilations of key issues in the Investor's Bulletin. These actions raised the number of subscribers to nearly 14,500 in 2011.

Meanwhile, publications were also distributed in printed form and via links to the Investor's Portal among entities which provide investment services and can use this material as an educational and informational resource for their staff and clients.

Conferences and seminars

As has come to be the norm, the CNMV participated in various forums aimed at increasing the awareness and skills of financial consumers, such as the investment fairs in Madrid (Bolsalia) and Barcelona (Borsadiner), where educational meetings and conferences were organised with the aim of publicising the services provided by the CNMV. The CNMV also took part in specific "training of trainers" courses in collaboration with the National Institute of Consumption, in order to inform about the regulations applicable to financial consumers participating in securities markets.

International forums on financial education

Among the activities of this type performed during 2011, one of the most important was the CNMV's participation in the meetings of the International Network on Financial Education (INFE), organised by the OECD. This network, made up of public bodies and advised by experts, has set up a number of working groups to further the analysis of issues considered to be priority in the field of financial education.

Also noteworthy is the participation of the CNMV in training seminars delivered by IOSCO on financial education, and the consequent improvement in investor protection.

Factsheets and investor guides

TABLE 13.5

	Investor factsheets	Investor guides
Titles	Know your investor profile	Securities orders
	Trí-fold leaflet "Investor Assistance Office"	The questions every shareholder of a listed company should ask
	What investment funds can you find on the market?	
	How to interpret financial information	
	Preferential subscription rights (PSR)	
	Investment Guarantee Fund (FOGAIN)	
	Transfers between investment funds	
	Rates and fees for investment services	
	Takeover bids. What they are and what to do	
Updates and forthcoming releases	Preferred shares	Guide to fixed income products
	Independent financial advisory firms (IFA)	Guide to boiler rooms
	Exchange traded funds (ETF)	
Other titles in the collection	Contracts for difference (CFD)	Your rights as an investor: discover the protection MiFID gives you
	Guaranteed investment funds	Protection of the investor: complaint service
	New types of investment fund	Investment funds and collective investment
	How to complain about financial services	Options and futures
	Warrants and turbowarrants	Investment firms
	Public share offerings	

Source: CNMV.

14 Disciplinary action

14.1 Disciplinary proceedings

14.1.1 Description of proceedings

In 2011, the CNMV Executive Committee initiated 14 new disciplinary proceedings, investigating a total of 30 possible breaches (see tables 14.1 and 14.2). At December, six new proceedings were pending, due to be initiated during the first days of January 2012. Disciplinary proceedings were opened in relation to 9 breaches for non-compliance with legal requirements for reporting and disclosing significant holdings in listed companies, 3 for market abuse (manipulation and use of insider information), 6 for non-compliance with rules of conduct on client relations and the others for delays and other irregularities in issuing companies reporting regulated financial and corporate governance information to the CNMV and to the market, for non-compliance with ratios and for breaches of general regulations for investment services firms and UCITS.

Proceedings initiated and concluded TABLE 14.1

	2010	2011
No. of proceedings initiated	**27**	**14**
No. of proceedings concluded	**24**	**19**
Of which:		
initiated in 2008	2	–
initiated in 2009	16	4
initiated in 2010	6	14
initiated in 2011	–	1

Source: CNMV.

In 3 of the disciplinary proceedings brought for market abuse breaches and failure to report significant holdings in listed companies, in the knowledge that criminal proceedings were also being conducted for the same or inseparable events, the CNMV reported to the legal authorities that it had initiated the disciplinary proceedings. The legal action was then transferred to the legal authorities and the administrative proceedings were suspended until a final court decision.

Breaches addressed in disciplinary proceedings

TABLE 14.2

		Initiated		Closed	
		2010	2011	2010	2011
Very serious breaches		**35**	**21**	**22**	**20**
I.	Failure to disclose/incorrect disclosure of significant holdings	14	9	6	9
II.	Market manipulation	1	1	–	1
III.	Breach of ratios	–	1	–	–
IV.	Failure to disclose significant events/provision of misleading, incorrect or materially incomplete information	2	–	1	2
V.	Breach of issuer's periodic disclosure requirements	4	4	3	3
VI.	Breach of rules on takeover bids	4	–	9	–
VII.	Breach of general investment firm regulations	2	1	1	1
VIII.	Breach of general UCITS regulations	1	–	–	1
IX.	Insider dealing	7	1	2	3
X.	Breach of rules of conduct	–	4	–	–
Serious breaches		**9**	**9**	**13**	**10**
I.	Corporate governance breaches	2	1	–	2
II.	Market abuse breaches	1	1	–	1
III.	Breach of general venture capital firm regulations	–	–	8	–
IV.	Breach of general investment firm regulations	1	–	–	–
V.	Breach of general UCITS regulations	–	2	–	–
VI.	Breach of rules of conduct	–	2	1	–
VII.	Insider dealing	1	–	–	1
VIII.	**Failure to draft/publish/file mandatory reports by the deadlines**	**4**	**–**	**3**	**1**
IX.	Breach of ratios	–	2	–	–
X.	Market manipulation		1	–	–
XI.	Breach of rules on takeover bids	–	–	–	4
XII.	Breach of issuer's periodic disclosure requirements	–	–	–	1
XIII.	Failure to respond to CNMV requests	–	–	1	–
Minor breaches		**1**	**–**	**1**	**1**
Breaches of Article 89 of Securities Market Act		**3**	**–**	**1**	**–**

Source: CNMV.

Over the year, the CNMV concluded 19 proceedings which included a total of 31 breaches. Four of the concluded proceedings were initiated in 2009, 14 in 2010 and 1 in 2011. Table 14.2 shows the nature of the breaches addressed in the different disciplinary proceedings concluded in 2011 and annex III.2 shows a summary of the decisions adopted by the CNMV. As shown in table 14.3, 51 fines were imposed for a total amount of 15,406,000 euros.

Penalties imposed

TABLE 14.3

	2010			2011		
	Average	Amount[1]	Period[2]	Average	Amount[1]	Period[2]
Fine	60	2,345	–	51	15,406	–
Removal/general disqualification	1	–	60	–	–	–
Public reprimand	–	–	–	–	–	–

Source: CNMV. (1) Thousand euro (2) Months.

14.1.2 Public register of penalties for serious and very serious breaches

The following penalties for serious and very serious breaches were incorporated into the public register of penalties in 2011:

- CNMV decision dated 21 January 2011 announcing the penalties for serious breaches imposed on and its chairperson and chief executive officer.

- CNMV decision dated 21 January 2011 announcing the penalty for a very serious breach imposed on

- CNMV decision dated 3 March 2011 announcing the penalties for very serious breaches imposed on and the members of its Board of directors.

- CNMV decision dated 14 April 2011 announcing penalties for very serious breaches imposed on and on

- CNMV decision dated 16 June 2011 announcing the penalties for very serious breaches imposed on and its chairperson and chief executive officer.

- CNMV decision dated 16 June 2011 announcing the penalties for very serious breaches imposed on and its chairperson, chief executive officer and managing director.

- CNMV decision dated 16 June 2011 announcing the penalties for serious breaches imposed on S.A. and its chairperson, chief executive officer and managing director.

- CNMV decision dated 16 June 2011 announcing the penalty for a very serious breach imposed on

- CNMV decision dated 18 October 2011 announcing the penalties for serious breaches imposed on

- CNMV decision dated 18 October 2011 announcing the penalties for very serious breaches imposed on and on

- CNMV decision dated 18 October 2011 announcing the penalties for serious breaches imposed on

- CNMV decision dated 18 October 2011 announcing the penalty for a very serious breach imposed on

- CNMV decision dated 18 October 2011 announcing the penalties for serious breaches imposed on and on the members of its Board of Directors,

14.1.3 Criteria of interest

Rules of conduct in the provision of financial services: assessment of appropriateness and suitability

The MiFID legislation, in force since 2007, introduced new aspects in different areas relating to entities which provide investment services. Entities were already required to know the client so as to determine whether the services to be provided or the proposed products were suitable. This obligation was formally enacted in two types of specific analysis or evaluation which entities must carry out depending on the service which they are going to provide: the appropriateness test and the suitability test.

Both tests are included in Spanish legislation in the Securities Market Act and in Royal Decree 217/2008, of 15 February, on the legal regime of investment services firms and other institutions which provide investment services. The suitability test is established in Article 79 *bis*, point 6, of the Securities Market Act. This Article indicates that, when providing advisory service relating to investment or portfolio management, the entity must obtain the information necessary on the client's knowledge and experience, and also, where appropriate, that of potential clients, in the area of investment corresponding to the specific type of product or service in question. It must also obtain information on the client's financial situation and investment objectives so that the entity may recommend the most suitable investment services and financial instruments. When the entity does not obtain this information, it will not recommend investment services or financial instruments to the client or possible client.

In a similar manner, Article 79 *bis*, point 7, of the Securities Market Act establishes the appropriateness test, which is applicable in the provision of investment services other than advisory services or portfolio management. The aim is for the entity to obtain the data necessary to assess whether, in its opinion, the client has the knowledge and experience necessary to understand the nature and the risks of the service or products offered, warning him/her in those cases in which it considers that the product is not appropriate.

These provisions and their scope are supplemented by the provisions of Articles 72, 73 and 74 of Royal Decree 217/2008.

In line with the above, it is important to take into account the Guides published by the CNMV, which, although they are not legally enforceable and therefore do not establish new obligations, aim to pass onto the sector and, specifically, the entities which provide investment services, guidelines which the supervisory body considers to be suitable for compliance with its obligations, as well as to help entities understand and adapt to the legislative requirements in force. The CNMV has published three Guides to date on this matter.[1]

Non-compliance with the obligations set forth in Article 79 *bis* of the Securities Market Act is classified therein as a breach. Specifically, non-compliance is classified

1 Guide for analysing appropriateness and suitability, of 17 June 2010, Guide on classifying financial instruments as complex or non-complex, of 14 October 2010, and Guide on the provision of investment advisory services, of 23 December 2010.

as a very serious breach of a general nature in Article 99 z) *bis*, as a serious breach when the failure to comply is on an occasional or isolated basis (Article 100 t) and as a minor breach when non-compliance occurs on one single occasion within the framework of a client relationship (Article 101).

In 2011, the CNMV decided to bring two disciplinary proceedings against credit institutions for the alleged commission of very serious breaches in this matter.

Convergence of disciplinary proceedings and criminal proceedings and suspension of administrative procedure

With the differentiating factors included in the legislation, certain conduct is classified as a breach of the disciplinary standards of the securities market and as an offence in the Criminal Code in force.

Article 96 of the Securities Market Act provides that "the exercise of the disciplinary powers referred to in this Act will be independent of the possible concurrence of serious or minor criminal offences". It is therefore not incompatible to bring disciplinary administrative proceedings and simultaneously to bring criminal proceedings. It is also not incompatible for the same facts to contravene administrative regulations but to be lawful under criminal law. However, the same Article also indicates that "when criminal proceedings are being conducted for the same facts or for other facts which cannot be reasonably separated from the punishable facts, the proceedings relating to these facts will be suspended until there is a binding decision from the legal authorities. When the proceedings resume, as the case may be, the ruling given must respect the appreciation of the facts contained in said decision".

Therefore, once disciplinary administrative proceedings have been brought, if it is known that criminal proceedings are being conducted with regard to the same facts examined in the administrative proceedings or with regard to other facts which cannot reasonably be separated from the punishable facts, said administrative proceedings must be suspended until the legal authority gives a binding decision on the case, so as to ensure the prevalence of the criminal proceedings with regard to the administrative proceedings. Consequently, in accordance with the last sentence of the aforementioned Article, it is specified that, when the proceedings are resumed after the binding decision, the administrative ruling must respect the appreciation of the facts proven in the criminal court.

Royal Decree 1398/1993, applicable in a suppletive quality as a result of the silence on this issue of Royal Decree 2119/1993, of 3 December, regulating the disciplinary proceedings applicable to agents in financial markets, specifies how the obligation imposed in Article 96 of the Securities Market Act must be complied with. Consequently, the final sentence of Article 7 (1) of the aforementioned Royal Decree indicates that "when the competent bodies are aware that criminal proceedings are being conducted on the same facts, they will request from the legal body communication on the actions adopted".

Having received the aforementioned communication, if it is clear that the circumstances established by Article 96 of the Securities Market Act exist, the competent body must proceed to suspend the disciplinary administrative proceedings, understanding that it is, in accordance with Article 7.2 of Royal Decree 1398/1993, the competent body to rule on said proceedings.

Consequently, in the case of disciplinary proceedings for very serious breaches, the body responsible for suspending the proceedings is the Ministry of Economy and Competition and, in the case of serious and minor breaches, the competent body is the CNMV Board, in accordance with the provisions of Article 97 of the Securities Market Act.

In 2011, three disciplinary proceedings were brought in which the circumstances provided for in the aforementioned rules existed. Consequently, the administrative proceedings have been suspended until there is a binding decision from the legal authorities.

14.2 Litigation department: judicial review of disciplinary proceedings and other actions

In 2011, a total of 11 appeals were brought against decisions of the former Ministry of Economy and Finance (3 appeals to a high court and 8 motions to set aside the decision), 10 of which were ruled on in the same year. In addition, the Ministry ruled on 1 appeal to a higher court and another motion to set aside the decision brought in 2010. With regard to the appeals to be ruled on by the CNMV, in 2011 2 motions to set aside the decision were formulated, 1 in a disciplinary matter, ruled on in the same year, and another against a resolution to file a claim, which is pending a ruling (see table 14.4). In all the cases, the appeals were rejected.

Twenty-six appeals were filed with the administrative courts, 19 of them against disciplinary decisions and 7 against CNMV decisions. Similarly, the courts handed down 19 rulings (14 decisions, 4 rulings that proceedings be filed and 1 dismissal), 9 of which related to disciplinary decisions. Of the 6 rulings handed down by the National High Court which referred to disciplinary proceedings, 5 fully upheld the appeal decisions and 1 overturned the penalty imposed. For its part, the Supreme Court handed down 2 rulings which upheld disciplinary decisions and admitted 1 appeal on a point of law brought against a ruling of the National High Court which ratified a disciplinary decision (see table 14.4 and annex III.3).

With regard to the rulings in proceedings brought against other decisions of the CNMV, all of them were favourable to the CNMV with the exception of one ruling of the National High Court against which an appeal on a point of law was brought before the Supreme Court. Among these rulings, there were two noteworthy rulings of the National High Court which upheld the authorisation of a suspension of the redemption of units of a mutual fund and the other for a claim to be filed. There were also two noteworthy rulings by the Supreme Court which declared the inexistence of financial liability of the CNMV for its actions as regards a securities broker and the publication of a press note respectively. Finally, it is important to mention that the National High Court in four cases ruled that the proceedings be filed for abandonment by the appellants.

Similarly, and in compliance with the general principle to provide collaboration to the legal authorities, the experts of the CNMV provided support to judges and courts in the exercise of their functions, particularly for criminal cases, mainly relating to fraud, embezzlement or insider dealing. In 2011, a total of 161 requests for collaboration were handled. The bulk of the requests, a total of 111, were from the civil courts. These requests basically related to notices of attachment (which are the competency of governing councils), to the identification of securities owned by people or companies (knowledge of which lies with the securities depositories) and attainment of evidence in proceedings of various types brought before different courts, with a request for data or documentation.

Cases in which the CNMV participated in 2011 TABLE 14.4

	Presented	Decided
Administrative appeals	**13**	**13**
Appeals to a higher instance	3	4
Appeals for reconsideration	10	9
Appeals to the courts against administrative decisions	**26**	**19**
		Requests received for assistance
Assistance to courts		**161**

Source: CNMV.

14.3 Claims

In 2011, a total of 16 claims were presented in the CNMV (5 of them processed together because of coinciding facts). The bulk of the claims were against corporate issuers or listed companies relating to alleged non-compliance with their obligations. The rest of the claims were against banks and savings banks in the provision of investment services, broker-dealers and brokers, UCITS and venture capital firms management companies and other types of entities.

Claims made in 2011 TABLE 14.5

Type of entity claim brought against	
Banks and savings banks	3
Broker-dealers and brokers	2
Securities issuers/listed companies	8
UCITS management companies	1
Venture capital firm management companies	1
Other	1
Total	**16**
Content of claims	
Market transactions	5
Rules of conduct	5
Market abuse, of which:	3
Significant information	2
Manipulation	1
Venture capital firm obligations	1
Obligations of securitisation vehicles	1
Obligations of broker-dealers and brokers	1
Total	**16**
Situation of claims at 31-12-2011	
In process	12[1]
Decided	4
Total	**16**

Source: CNMV. (1) Five of these claims are being processed in the unified manner.

The claims mainly referred to three aspects: alleged breaches of obligations in market transactions, rules of conduct of entities subject to supervision and activities relating to different types of market abuse (inadequate communication of significant information and market manipulation).

At the end of the year, 4 of the 16 claims presented in 2011 were ruled on. In addition four others were ruled on in the first quarter of 2012. The remaining eight claims are currently being processed as of said date (five of the claims are being processed together, as indicated above).

14.4 International cooperation in investigation

The CNMV processed 25 collaboration requests to foreign regulators in matters of investigation (22 in 2010) and, in turn, processed 35 requests of the same type which were made to the CNMV by other regulators (39 in 2010).

As in previous years, approximately two thirds of the collaboration requests received from other regulators corresponded to issues relating to the investigation of market abuse practices, while the other third referred to investigations about unauthorised activities in the securities market. Approximately half of the collaboration requests made by the CNMV to foreign supervisors corresponded to issues related to the investigation of market abuse practices, and the other half to investigations on unauthorised entities.

14.5 Warnings about unregistered firms

Through its website, the CNMV issues warnings to investors about unauthorised firms that have been detected by it or by other supervisors.

The following warnings were issued in 2011 (see annex IV.4):

– 32 warnings on 32 entities were issued under Article 13 of the Securities Market Act, which entrusts the CNMV with protecting investors by disseminating any information necessary to that end.

– 590 notifications were received mainly from supervisors in Member States of the European Union in connection with unauthorised firms, and others were included under the heading “Other warnings”, with warnings relating to improper conduct or actions.

Since 2010, the IOSCO website provides a public warning service about unauthorised firms which includes warnings issued by members of this organisation. Given that not all the warnings issued by IOSCO members are in turn reported to the CNMV, the CNMV recommends visiting the IOSCO website, http://www.iosco.org/investor_alerts/, to obtain further information on these types of companies.

15 International activities

The CNMV's international activity was particularly intense in 2011. On the one hand, IOSCO-related activity multiplied after the Vice-Chairman of the CNMV was elected as Vice-Chairman of the Technical Committee of IOSCO. On the other hand, in addition to the heavier workload on the international front due to the start-up of ESMA activity, there was also the work arising from CNMV's election to the ESMA Management Board, which requires the attendance and preparation of a minimum of six meetings a year. This latter duty was renewed for a period of 30 months on 12 April 2012.

In many cases, the CNMV's international activity required close coordination with the Bank of Spain and the Directorate General of Insurance and Pension Funds, and with the General Secretariat of the Treasury and Financial Policy. This coordination has been particularly important with regard to the start up of new European financial supervision agencies,[1] and to the preparation of new EU standards, including the second Regulation on credit rating agencies, the regulation of the European Parliament and the Council on short selling and some aspects of credit default swaps (CDS), and the start of the review of the MiFID and MAD (Market Abuse Directive) directives.

It should also be mentioned that the CNMV takes part in the meetings of the European Board of Systemic Risk, whose General Board sits at least four times a year. Also, attendance at the Financial Stability Board (FSB) and IOSCO-related work called for additional resources from the CNMV in areas such as securitisation, shadow banking and, in particular, international coordination on the preparation of standards for OTC derivatives. With regard to the latter, it should be noted that the G-20 and the FSB have repeated their request for there to be the maximum possible convergence of standards in the various geographic areas and for the deadline, year-end 2012, to be met, so that the majority of OTC derivatives are traded on transparent electronic platforms and are cleared, whenever possible, by central counterparty clearing houses.

15.1 European Securities and Markets Authority (ESMA)

On 1 January 2011, the new European financial supervision structure agreed by the Member States came into force, a structure in which ESMA plays a major role. This completed the process started in 2010 to convert the Committee of European Securities Regulators (CESR) into ESMA. Among the most significant aspects of this process is the definition of the governance structure of this new authority, whose main governing bodies are its Board of Supervisors and its Management Board.

1 As well as ESMA, the European Banking Authority and the European Insurance and Occupational Pensions Authority.

The Board of Supervisors, which is the decision-making body, is made up of the chairmen of the relevant authorities of the 27 member countries or the representatives chosen by the board of the national authority, as the case may be. An observer from the European Commission, a representative of each of the other two supervisory authorities of the financial sector (banking and insurance), a representative of ESRB and the Chairman of ESMA also sit on this board.

The Management Board is formed by the Chairman of the Authority and six directors selected from the members of the Board of Supervisors. Its mission is to carry out the institution's work programme and manage its budget and staff. During ESMA's first year of life, the Management Board had to pay special attention, among other matters, to the establishment of internal operating procedures and rules and to shaping the institution's organisational structure.

In accordance with ESMA regulations, and to complement this structure, a representative group of market participants (the Securities and Markets Stakeholder Group) was created, to be consulted by ESMA regarding the preparation of its technical standards, guidelines and recommendations. A Joint Board of Appeal was also set up for the three European supervisory authorities of the financial sector, to hear complaints from anyone who feels they have been prejudiced by ESMA's decisions.

Finally, ESMA has standing committees and *ad hoc* working groups (task forces) to carry out the work programme. The activity of these groups in 2011 was marked by the development of regulatory changes put into place in response to the financial crisis, and a number of developments arising during that year. In the paragraphs below we describe the main strands of work of these groups during 2011.

Financial reporting

The standing committee on financial reporting continued to participate in the reform process of the international financial reporting standards produced by the International Accounting Standards Board (IASB). Specifically, in the light of difficulties in the application of international financial reporting standard number 8 (IFRS 8) on segment reporting, a report was sent to the IASB in November with a proposal for the improvement of this standard.

Also worth mentioning are the comments sent to the IASB, at the request of the latter, for the preparation of its agenda for the next three years. Among other comments, ESMA suggested slowing down the introduction of new changes in accounting rules in order to concentrate on the systematic implementation and application of current standards.

With regard to the turbulent situation of the European sovereign debt markets, a public statement was issued in July stressing the need for listed companies to increase the transparency of their portfolios of this type of asset in their periodic financial statements, and the importance of the proper application of IFRS. Additionally, a new statement was issued in November which specifically addressed the Greek sovereign debt situation, providing criteria which, according to ESMA, issuers and auditors should take into account when preparing their annual financial statements for 2011.

Secondary markets and ESMAPOL

In December 2011, a report from the working group on market microstructure was published which contained possible recommendations aimed at trading platforms, brokers and supervisors on the functioning and control of automated systems. On the basis of this document, in February 2012 ESMA published a set of guidelines.[2] It was agreed that these guidelines would enter into force on 1 May 2012.

Within this area it is also important to mention the work carried out by the working group on trading halts, suspensions and restorations, which reviewed the CESR's protocol of May 2008 on the subject. On the basis of its contributions, ESMA agreed to create a centralised automated system for the notification of decisions regarding suspensions and delistings via a web page. The technical design of this system is currently being worked on.

The review of pre-trade transparency waiver mechanisms in markets was another of the most important issues of the year. This task, a continuation of the work carried out by CESR in this field, resulted in the publication of a report in December, updated again in April 2012.[3]

Finally, within the framework of the preparation of a European regulation on short-selling, a working group was set up to develop technical standards and provide advice to the European Commission in connection with this regulation, which was eventually approved in March 2012 (see chapter 2). In the first quarter of 2012, two documents were submitted to public consultation; the first contained the preliminary version of the technical standards and the second the advice to the Commission.

Post-trading

The development of technical standards for the future European Market Infrastructure Regulation (EMIR) was one of the main strands of work of the Post-Trading Standing Committee (PTSC) during 2011. Three working groups were set up to address this issue: one on OTC derivatives, another on trade repositories, and a third on central counterparty requirements. As proposed in the draft regulation, ESMA developed the relevant collaboration mechanisms to enable the European Central Bank System to take part in the development of the draft version of some of these standards. With a view to sounding out the opinion of market participants, in February 2012 a consultation document was published on this subject.

Another important strand of work of this group was the analysis of the TARGET2-Securities (TS2) framework agreement between central securities depositories and the Eurosystem. The commitment of the central securities depositories to the T2S project was formalised through their signature. The deadline for signing up is 30 June 2012.

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2 *Guidelines on systems and controls in an automated trading environment for trading platforms, investment firms and competent authorities*. Available for consultation at http://www.esma.europa.eu/system/files/esma_2012_122_en.pdf

3 *Waivers in pre-trade transparency. CESR positions and ESMA opinions*. Updated version corresponding to April 2012 available for consultation at http://www.esma.europa.eu/system/files/2011-241.pdf

Finally, mention should be made of the comments prepared by the Standing Committee in response to the consultation of the European Commission concerning the regulation proposal on Central Securities Depositories (CSD), the approval of which is expected in early 2012.

UCITS

The main strand of work of the Standing Committee on UCITS in 2011 was the advice provided to the European Commission on the development of level 2 of the Alternative Investment Fund Managers Directive. This work culminated in the approval in November of a report which was sent to the European Commission (*Final report. ESMA's technical advice to the European Commission on possible implementing measures of the Alternative Investment Fund Managers Directive*).[4]

Also worthy of mention was the approval of the recommendations for the calculation of the global exposure of structured UCITS. Finally, in response to concerns of the FSB, the Committee worked on the preparation of some guidelines on exchange-traded funds (ETF) and structured undertakings for collective investment in transferable securities (UCITS), on which subject it launched a consultation document in January 2012.

Credit rating agencies

The strands of work in this area were marked by changes made to existing regulations,[5] whereby, as of July 2011, ESMA took sole responsibility for the registration and supervision of credit rating agencies (CRA) in the European Union. In this respect, in 2011 the first regulatory technical standards produced by ESMA were approved, on the information to be provided by rating agencies prior to their authorisation, the periodic reporting to be sent, and the assessment of the methodology they use. These standards are yet to be approved by the Commission.

One of the aspects which has aroused most debate during the implementation process of the regulation of the credit rating agencies has been the system of recognition by the European Union of credit ratings issued in third countries. In 2011, this process was concluded favourably for some jurisdictions but for others it is still pending approval. The use of ratings from countries in this latter situation finalises in April 2012.

Other works

Within the framework of ESMA's contributions concerning systemic risk, the Committee for Economic and Markets Analysis (CEMA) focused, among other matters, on the application of stress tests in the area of securities supervision, the relationship between credit default swaps (CDS) and sovereign bonds, the securitisation market, and returns on structured products, as well as starting new strands of work relating to matters such as high frequency trading.

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4 Available at http://www.esma.europa.eu/system/files/2011_379.pdf

5 Regulation (EC) No. 1060/2009, of the European Parliament and of the Council, on credit rating agencies.

With regard to the Prospectus Directive, three working groups were set up within the Standing Committee on Corporate Finance to develop the first part of advice to the European Commission on delegated acts contained in that directive. The final document on this first part of advice was approved in September.

For the implementation of Article 9 of the ESMA Regulation, a working group was set up which, among other things, established the bases for the creation of the Financial Innovation Committee provided for in that article. The mission of this committee is to seek a coordinated approach in the regulation and oversight of innovative financial activities.

In April, a standing working group was set up within the Committee on Brokers and Investor Protection with the aim of exchanging points of view and discussing practical issues concerning supervision. Within this same committee, a working group was created to develop guidelines on the function of compliance, suitability requirements and reward policies. The compliance function guidelines document and the one on suitability were presented for public consultation in December.[6]

2011 saw the approval of the working methods of the expert group which, continuing with the task it performed in CESR, assessed the application of European financial regulation (review panel). During that year, the group worked, among other things, on the development and application of best practices relating to the Prospectus Directive and on the application of sanctions.

In response to the concerns aroused at an international level regarding commodities markets, in September ESMA set up a temporary working group to lend support to the other standing committees in respect of those markets, advise the European Commission, analyse regulatory developments, gather information and foster cooperation with other regulators (for example, energy sector regulators).

15.2 International Organization of Securities Commissions (IOSCO)

With regard to IOSCO activities in 2011, one of the most significant events was the approval of the methodology for the implementation and evaluation of the principles which had been updated in 2010, referring to various areas of the regulation of securities, hedge funds and rating agencies. The methodology approved by IOSCO is used by the International Monetary Fund within the framework of its Financial Sector Assessment Program (FSAP). Another interesting feature of last year was IOSCO's growing involvement in the identification and monitoring of systemic risk, in accordance with instructions from the G-20 and the FSB. In particular, as part of this task, IOSCO's Standing Committee on Risk and Research began to produce systemic risk and impact assessment indicators based on securities markets.

In accordance with the provisions of the organisation's strategic plan for 2010-2015, last year IOSCO set in motion a major overhaul of its governing bodies, including the merger of the present Technical and Executive committees into a new commit-

6 A link to both documents can be found at http://www.cnmv.es/Portal/publicaciones/listadodocumentos.aspx?tDoc=3

tee to be called the IOSCO Board. The Board, which will be formally constituted in May 2012, will have a transitional composition during the period 2012-2014 while the definitive criteria to be used in the election of its members are decided. This first transitional board will be composed of the 18 members of the present Technical Committee, who represent the most highly developed securities markets, plus 12 new members, 3 for each regional committee, to be elected in May 2012.

As mentioned earlier, in 2011 the Vice-Chairman of the CNMV was elected as Vice-Chairman of the IOSCO Technical Committee. It is the first time the CNMV has occupied the vice-chair since joining the governing bodies of IOSCO in 1990. The Vice-Chair of the Technical Committee involves important responsibilities, such as attending the plenary sessions of the FSB and the Monitoring Board, which is the committee responsible for controlling the governing bodies of the IASB, and chairing the Monitoring Group and the Public Interest Oversight Board (see exhibit 15.1).

Finally, it should be mentioned that the CNMV, in collaboration with representatives of various Spanish ministerial departments, took part in the preparation and signature of a "host agreement" between the Kingdom of Spain and IOSCO in compliance with the commitments assumed after the headquarters of the IOSCO General Secretariat was established in Madrid.

The Monitoring Group

EXHIBIT 15.1

The Monitoring Group was formally set up in 2009 by various international financial organisations as a public interest group for the development of quality auditing standards. Its current members are the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), the European Commission, the International Forum of Independent Audit Regulators (IFIAR), IOSCO, the FSB and the World Bank. Its charter provides for the incorporation of new members and observers.

According to its charter, the mission of the Monitoring Group is to:

- Cooperate in the interest of promoting high-quality international auditing and assurance, ethical and education standards for accountants.

- Monitor the implementation and effectiveness of the IFAC Reforms (adopted in 2003) and in that connection to undertake an effectiveness assessment of the IFAC Reforms and other aspects of IFAC's operations that involve the public interest. The IFAC has three specialised committees of public interest: the International Auditing and Assurance Standards Board, the International Ethics Standards Board for Accountants and the International Accounting Education Standards Board, which set international standards in auditing and assurance, ethics and education for accountants, respectively. The 2003 reforms were designed to ensure that the standards issued by these committees reflect the public interest and monitor member body compliance with related obligations.

- Through its Nominating Committee, appoint the members of the Public Interest Oversight Board (PIOB). The PIOB is a body independent of the accounting profession, which was set up in 2005 to monitor the public interest activities of the three abovementioned IFAC standards setting committees. Its headquarters is in Madrid.

- Monitor the execution by the PIOB of its mandate. Consult and advise the PIOB with respect to regulatory, legal and policy developments that are pertinent to the PIOB's public interest oversight.

- Convene to discuss issues and share views relating to international audit quality as well as to regulatory and market developments that are pertinent to the PIOB's public interest oversight.

Activities directly associated with international financial reform

Since the beginning of the financial crisis, a significant part of IOSCO's activity has been within the framework of the international agenda promoted by the G-20. The most important tasks carried out in this area were in connection with the following three issues: i) financial activities beyond the scope of regulation (shadow banking and systemically important non-banking financial institutions), in relation to which we should mention the development of possible recommendations or regulations for money market funds, securitisations, securities lending and repos, and hedge funds; ii) OTC derivatives, on which work has already been done on the disclosure of transactions, different types of trading platforms and requirements for the mandatory settlement of transactions; and iii) commodities, for which a set of principles for the regulation and supervision of derivative products has been published.

In connection with commodities markets, it should also be noted that the G-20 has asked IOSCO and other international bodies to formulate the necessary recommendations to improve the dissemination of oil prices.

Finally, IOSCO produced a report on recommendations for financial market infrastructures which was presented for consultation in 2011. The final report, together with the methodology used, was published in April 2012.

Accounting, auditing and disclosure

IOSCO continued monitoring accounting issues closely and took an active part in the reforms in this field through its comments on the proposals for standards and other documents presented for consultation by the IASB. In the field of auditing, we should mention the start up of a project in collaboration with the IASB to review the code of ethics of auditors. Finally, in the area of disclosure, IOSCO continued to work on the production of recommendations on periodic financial reporting, including the significant events to be published by securitisation structures, with the aim of homogenising and standardising criteria for the dissemination of that information. Completion of the work in this field is scheduled for 2012.

Markets

In this area we would highlight the publication of two reports. The first, entitled *Principles of dark liquidity*, establishes a series of recommendations for reducing the negative impact caused by the trading systems known as dark pools in terms of transparency, fragmentation of reporting, and the loss of capacity to supervise these systems. The second document, *Regulatory issues raised by the impact of technological changes on market integrity and efficiency* analyses the current situation of financial markets and the most significant changes resulting from technological innovation, and describes a number of potential tools for the exercise of supervision.[7]

Brokers

In the field of brokers, IOSCO worked on the drafting of recommendations concerning the suitability of brokers, the different categories of non-retail investors, the distinction between complex and non-complex instruments, the provision of services not requiring advice, and brokers' obligations when a transaction is not suitable for the investor. As a result of this work, a document was submitted to public consultation in February 2012 (*Suitability requirements with respect to the distribution of complex financial products*).[8]

UCITS

Last year, IOSCO worked on the development of recommendations for cases where there were redemption suspensions affecting shares in UCITS. The final report containing those recommendations was published in January 2012 (*Principles on suspension of redemptions in collective investment schemes*).[9] It also worked on a second document to update recommendations on the valuation of UCITS assets made in 1999 (*Consultation report on principles for the valuation of collective investment schemes*), which was presented for public consultation in early 2012.[10]

Rating agencies

In February 2011, IOSCO published a report on the legislative initiatives adopted recently in the field of rating agencies and their impact on agencies with activities in different jurisdictions (*Regulatory implementation of the statement of principles regarding the activities of credit rating agencies*).[11] The document also examines whether the new legislation meets the principles of quality and integrity in the rating process, independence and management of conflicts of interest, transparency and timeliness in the dissemination of the ratings, and disclosure confidentiality.

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7 The first document can be consulted at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD353.pdf and the second at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD361.pdf

8 https://www.iosco.org/library/pubdocs/pdf/IOSCOPD373.pdf

9 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD367.pdf

10 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD370.pdf

11 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD346.pdf

15.3 International cross-sectoral forums

Under this heading the most important activity was that of the Joint Forum (JF), formed by banking, securities and insurance regulators. In addition to the CNMV, the Bank of Spain and the General Directorate for Insurance and Pension Funds participates in this forum in representation of Spain. The actions of the JF in 2011 once again focused on the review of international regulations, in accordance with the agenda promoted by the FSB.

During the course of the year, the JF published a report on incentives and conflicts of interest in relation to asset securitisation (asset securitisation incentives)[12] in which, in addition to setting out the regulatory initiatives of various geographic areas, it issues recommendations on the role that the regulation might play in the orderly reestablishment of the securitisation market.

Also completed during the year was a report on intra-group support measures, which was published in February 2012.[13] The report proposes measures concerning the management of capital and liquidity in financial groups in situations of crisis. The JF considers that this initiative complements the work of the FSB on orderly resolutions of financial institutions.

Finally, in December 2011 the JF submitted a report to public consultation reviewing the principles governing the supervision of financial conglomerates (*Principles for the supervision of financial conglomerates*).[14] The purpose of the review is to provide legislators, regulators and the creators of international standards with guidelines and guidance to create a cross-sectoral supervisory framework to replace current sectoral frameworks. The review proposes that oversight takes into account the activities carried out by unregulated entities forming part of a financial conglomerate, and also introduces principles relating to corporate governance while updating principles relating to risk management and capital adequacy.

15.4 Other forums

Iberian Electricity Market, MIBEL

In 2011, MIBEL's Council of Regulators, made up of the energy and securities regulators of Spain and Portugal, whose rotating chair is currently occupied by the CNMV, was responsible, among other tasks, for (i) the formalisation and signature of a multilateral memorandum of understanding on cooperation and the exchange of information within the Iberian market, entered into by the energy and securities regulators of Spain and Portugal, (ii) the launch of MIBEL's website, and (iii) a public consultation on the harmonised regulation of the integration of renewable energies in the Iberian market, after which a proposal will be put before the governments of Spain and Portugal.

12 http://www.bis.org/publ/joint26.pdf
13 http://www.bis.org/publ/joint28.pdf
14 http://www.bis.org/publ/joint27.pdf

Ibero-American Institute of Securities Markets (IIMV)

The IIMV is a foundation which is fully independent from the CNMV. Among its patrons it has other Ibero-American regulators and supranational financial authorities, whose purpose is to promote securities markets in Ibero-America. The CNMV finances the main activity of the foundation, while some patrons provide the funding for specific projects.

In 2011, the IIMV carried out nine training activities and six dissemination and cooperation activities. Of the former, the most important were the 'Conference on matching the investor profile to the investment activity' and the 'Conference on the modernisation of the markets and the challenges of supervision'. The IIMV also delivered the fourth online course on international financial reporting standards (IFRS/IAS). With regard to cooperation activities, mention should be made of the publication of a book which deals with the situation of registration, clearing and settlement systems in Ibero-America.

Mediterranean Partnership of Securities Regulators

The main aim of this association is to achieve convergence of Member States' regulations with European regulations and with the IOSCO Principles. Among the activities developed in 2011 within this forum, perhaps the most important was the delivery of a seminar on collective investment which addressed the legislative developments underway in the European Union on this matter. It should also be mentioned that at the end of the year a meeting of chairmen was called which, among other objectives, aimed to make public the measures adopted by the association's members in response to the international financial crisis and to report on the resolutions adopted by the G-20 and the FSB aimed at strengthening market infrastructures and reducing systemic risk. In that same meeting the measures agreed by ESMA and the Technical Committee of IOSCO in respect of those issues were also announced.

V CNMV: organisational, financial and institutional aspects

16 Organisation

16.1 Human resources and organisation

Changes in workforce and staff selection processes

At the end of 2011, the CNMV had 422 employees, up 2.7% on 2010. This growth was the result of 26 new hires and 15 departures. As shown in tables 16.1 and 16.2, the increase in the workforce was mainly concentrated in the technical category and affected, above all, the areas most directly linked to supervisory tasks.

CNMV staff: composition by professional category TABLE 16.1

Number of employees at 31 December 2011

	2010			2011		
	Total	Men	Women	Total	Men	Women
Services	9	8	1	8	8	0
Clerical/Computer operators	67	13	54	67	13	54
Technical	312	149	163	323	151	172
Management	23	16	7	24	18	6
Total	**411**	**186**	**225**	**422**	**190**	**232**

Source: CNMV.

Breakdown of staff by Department TABLE 16.2

Number of employees at 31 December 2011

	2010			2011		
	Total	Men	Women	Total	Men	Women
Directorates-General	279	117	162	288	118	170
Entities	126	50	76	130	53	77
Markets	101	46	55	105	46	59
Legal Service	52	21	31	53	19	34
Departments	115	65	50	117	65	52
Board	17	4	13	17	7	10
Total	**411**	**186**	**225**	**422**	**190**	**232**

Source: CNMV.

The selection process to cover nine new positions in the new hiring process of the Graduate Development Programme was conducted in the first half of the year. The selected candidates joined the CNMV in September. In the third quarter of the year the selection process to cover the 21 positions corresponding to the 2011 Public Sector Hiring Process began. The new employees hired as a result of these processes will have joined the CNMV by the second quarter of 2012.

A new aspect of the selection process has been the dissemination of job offers through universities, schools, professional colleges and one widely used employment portal, as well as through the usual media.

In 2011, processes were also carried out to cover internal vacancies and the positions of the 2011 Public Sector Hiring Process were announced to the staff of the CNMV prior to their external publication. Similarly, 27 positions announced by the new European Securities and Markets Authority (ESMA) were announced internally and three employees were selected to join that organisation. Finally, it is important to mention the selection of one CNMV employee to cover a secondment position offered by IOSCO.

Training

Within the framework of its training programme, the CNMV implemented various initiatives in 2011, including the following:

– Internal collective actions: courses and seminars given by CNMV employees aimed at sharing and disseminating existing knowledge in the organisation. 32% of the workforce participated in these actions, which accounted for 22% of the training hours.

– External collective actions: courses organised with specialised training centres. 52% of the workforce participated in these actions, which accounted for 61% of the training hours.

– Individual training actions: for those contents not covered by the collective actions. 15% of the workforce participated.

– International training actions: training planned and given by the European securities, banking and insurance authorities. 7% of the workforce participated.

A total of 9,954 training hours were given in 2011 as part of the CNMV's training programme, 5% more than in the previous year. Each employee received, on average, 24 training hours within this programme, with 70% of the workforce participating in at least one of the training actions.

As in previous years, a new edition of the Language Program was implemented, with participation of 59% of the workforce. The participants received a total of 10,456 training hours, an average of 42 hours per student. With the aim of perfecting English in a native environment, the possibility of attending a summer course abroad was offered for the third consecutive year. In addition, the 2011 programme included, for the first time, the possibility of carrying out intensive French and German courses in Spain. 9% of the workforce participated in these supplementary activities, with an average of 41 hours per student.

The second edition of the Internal Mobility Program was implemented at the start of the year. One of the aims is to promote professional development and horizontal mobility of employees across the CNMV. The seven employees selected in the programme joined their new departments in May 2011.

Other significant human resources initiatives

With the aim of ensuring compliance with the commitments established in the Joint Collective Agreement signed in December 2010, in the first quarter of 2011 various initiatives were implemented, including the policies for financing full university courses and master's degrees, the policy for travel expenses, the establishment of the Training Committee provided for in the Agreement and the Pilot Telework Programme, in which 27 employees participated. After verifying the viability of the Pilot Telework Programme and the level of satisfaction of all the participants, the decision was taken to establish teleworking as an option for certain positions and activities in the CNMV. This began to be applied in April 2012. Similarly, in the second quarter of the year, the procedure for authorising and paying overtime was developed and, in the final quarter of the year, the policy for transport expenses.

Finally, two other significant initiatives should be highlighted. The first is the implementation, in the first quarter of the year, of an integrated human resources management system. The second relates to the performance appraisal. In June, the rules were developed for setting the general criteria for the appraisal and in the last quarter of the year, work began on developing the performance management system, which was implemented in the first quarter of 2012.

16.2 Information systems

New applications were implemented in 2011 to support the new rules which entered into force over the year and also to renew other applications which have become technologically obsolete.

Noteworthy among the new applications are the following: receipt and process of the reserved information of investment services firms, new generation and sending of requirements to investment services firms and UCITS, receipt of annual reports sent electronically by listed companies, publication of asset securitisation reports, treatment of reported suspicious transactions, new receipt of orders and trading on the AIAF market, new control application for MEFF Equity, receipt and use of the annual audit report on client asset protection and comprehensive management of entity supervision activities.

With regard to the virtual office, a new regulation of the CNMV's Electronic Register, adapted to Law 11/2007 on online access for citizens to public services, was approved in 2011. In addition, 3 new procedures were incorporated into the CIFRADOC/CNMV service of the electronic register, bringing the total number of procedures to 41. The user service of the virtual office has been strengthened with greater coverage and new tools. Table 16.3 shows the development both of the electronic register and the paper register of documents received in the CNMV.

Documents received in the CNMV TABLE 16.3

	2010		2011	
	No.	Distribution (%)	No.	Distribution (%)
Electronic	115,846	72	116,207	73
On paper	45,099	28	43,141	27
Total	**160,945**	**100**	**159,348**	**100**

Source: CNMV.

It is also important to highlight that the CNMV uses the electronic register to send notifications and requirements to supervised entities and persons. In 2011, 15,439 notifications were sent, 210% more than in 2010, when this system began to be used. Regarding requirements, 67 were sent, 49% more than in the previous year.

An extensive review was made of the CNMV website in 2011 with regard to its content and presentation. Specifically, a new classification was incorporated, by profile, of all the contents which, together with the current organisation by subject, will facilitate access to the information housed on the website. The new presentation, together with a new design, will enter into operation in 2012. The CNMV has also actively collaborated with the other institutions involved in the contracting, development and implementation of the website of the Iberian Electricity Market (MIBEL).

In 2011, work continued on implementing the new comprehensive management system for image-based documents in different departments of the CNMV. Finally, technical developments have led to an important partial renewal of the technical infrastructure which supports the information systems with the substitution of the physical and logical equipment.

CNMV Plan of Activities 2012: revised and updated EXHIBIT 16.1

In February, the CNMV presented its Plan of Activities for 2012, continuing with the public commitment which began in October 2007 of improving the transparency and accountability of its activities. The Plan, which was previously presented to the CNMV's Advisory Committee, details the objectives set up to the first quarter of 2013 and includes a review of the level of compliance with the commitments taken on in the 2011 Plan.

In 2011, the CNMV completed most of the planned objectives within an environment conditioned by the persistence of the international financial crisis. In particular, the actions deriving from the restructuring of the financial system in Spain and the intense international activity required the CNMV to deploy additional resources and efforts.

In this context, of the 67 objectives planned for 2011, 79% were met. 72% of the 53 completed objectives were carried out in the established period. If we exclude those objectives which do not depend solely on the CNMV from the incomplete objectives, only six, 9% of the total, could not be carried out under the terms initially established. This gives a level of compliance with the Plan similar to that of previous years.

The Plan of Activities for 2012 takes into account the likely persistence of the turbulent economic and financial context both internationally and in Spain. The recent complicated financial situation is expected to continue, with a high level of vulnerability of the financial system as a whole to changes in debt markets and the effectiveness of the measures announced to complete the consolidation process of public finances and the restructuring of the financial sector.

There is expected to be intense legislative activity in the EU aimed at correcting certain market deficiencies and to move towards legislative harmonisation. As a result of the changes in EU legislation and the expected high level of activity in drawing up ESMA standards and recommendations, the CNMV may allocate a significant volume of resources to international activities not included in the Plan. In Spain, the restructuring and the capital needs of financial institutions mean that these institutions will increasingly attempt to raise money from investors and, therefore, the CNMV will continue paying special attention to the practices used for marketing financial products among retail investors and will continue promoting maximum transparency in the issues carried out.

As in previous years, the Plan is structured following the functions which the Securities Market Act entrusts to the CNMV. In the area of legislation, attention will be focused on the Spanish amendments deriving from European legislation. In addition, the plan includes completion of the implementing legislation relating to corporate governance and legislative changes will be proposed to the Government, *inter alia*, in the area of takeover bids and trading in Treasury stock based on the supervisory experience of previous years, as well as the new initiatives to facilitate the access of SMEs to financial markets.

Secondly, ensuring that markets are increasingly efficient and transparent will continue to be a priority for the CNMV. To this end, the CNMV will intensify the fight against market abuse, strengthening the use of the information available for supervision. Furthermore, the accounting treatment of sovereign debt in the annual accounts of issuers will be reviewed, following the guidelines published by ESMA in 2011 and action will continue to be taken to strengthen the transparency of CNMV criteria by means of organising seminars and publishing guides for supervised entities and investors. In the specific area of retail investor protection, the CNMV will continue developing the Financial Education Plan and will aim to make progress in the objective of introducing financial education into classrooms. Finally, the 2012 Plan specifies a series of objectives aimed at implementing improvements in the functioning and efficiency of the CNMV, as well as the adaptation of fees legislation and the transfer to the new office.

17 Finances

17.1 Revenue and expenses

The 2011 CNMV accounts are prepared in accordance with the new General Chart of Accounts for the Public Sector, established by Order 1037/2010, of 13 April, of the Ministry of Economy and Finance, and the Resolution of 28 July 2011 of the Government Comptroller's Office (Spanish acronym: IGAE), which regulates the criteria for preparing information on the cost of activities and management indicators to be included in the notes to the annual accounts of the General Chart of Accounts for the Public Sector.

Within the income statement, the changes introduced by the new accounting standards, applicable as from 1 January 2011, have a significant effect on the fee revenues, while their effect on expenses is minimal. As these are the first accounts prepared in accordance with the new General Chart of Accounts for the Public Sector, the accounting statements included therein do not contain the figures corresponding to 2010. However, in this chapter, so as to facilitate analysis of the year-on-year changes, some comparative references are offered between both years which, in the case of fee revenues, are based on the previous General Chart of Accounts for the Public Sector as criteria for standardisation.

In 2011, the CNMV obtained 67.1 million euros in revenues and incurred 46.2 million euros in expenses. Therefore, the surplus for the year amounted to 20.9 millions of euros. The bulk of the revenues were from fees received over the year, which totalled 63.6 million euros (53 million euros if we apply the previous General Chart of Accounts for the Public Sector, an increase of 4.1% on 2010). Other revenue was mainly from interest and, to a lesser extent, from the sale of publications and other sources (dissemination of professional information, recovery of expenses for announcements of tenders, etc.).

Expenses increased by 4.6% on the previous year. Staff costs, which accounted for 59.9% of total expenses, rose by 4.5%, with a 3% increase in the average headcount. Other expenses increased by 4.8%, with this increase mainly being under the headings of outside services and losses for de-registration of fixed assets.

The heading of outside services recorded a year-on-year increase of 4.5% as a result of the greater expense for leases following the update of the rents of the rented offices and the increase in the maintenance costs of computer licenses and programmes, as well as the increase in the annual payment which the CNMV must make as a member of ESMA. In 2011, the property owned by the CNMV located at Paseo de la Castellana, 19, Madrid was incorporated into the Assets of the Central Government. For this reason, it was necessary to de-register different items of fixed assets, leading to losses of 0.4 million euros.

On 29 April and 11 November 2011, the Government, following a proposal by the CNMV, agreed to the allocation of the surplus obtained in 2009 and 2010, respectively, to the CNMV reserves.

17.2 Fee structure

Table 17.1 shows the revenue for fees in the different areas of supervision in 2011, in accordance with the new General Chart of Accounts for the Public Sector. The table also includes a comparison of said revenue with that corresponding to 2010 based on the previous General Chart of Accounts for the Public Sector. As indicated above, on the basis of the previous accounting standards, the revenue for fees rose by 4.1%. This increase mainly came from the fees applied to the marketing of foreign UCITS, which rose by almost 2 million euros. The modification of the criteria for recognising revenue, which is now recorded by accrual date instead of by issue date of the settlement of the fee, involves allocating fees accrued in 2011 and issued in 2012 to the 2011 accounts. In total, this allocation involves 10.7 million euros of additional revenue in 2011, of which 10.3 million euros corresponded to supervision fees for the fourth quarter of the year.

CNMV fee revenues

TABLE 17.1

Cash amount in thousand euro

Activity or service	2010[1]	2011[1]	% change 11/10[1]	2011[2]
Registration of prospectuses and market participants	**7,086.3**	**9,661.4**	**36.3 %**	**10,014.3**
Prospectus registration	6,534.8	8,991.0	37.6 %	9,343.9
Issue prospectuses	4,973.2	7,314.8	47.1 %	7.667,7
Listing prospectuses	515.2	610.6	18.5 %	610,6
Vetting of AIAF listing requirements	1,046.3	1,065.6	1.8 %	1.065,6
Registration of market participants	396.8	592.7	49.4 %	592.7
Authorisation of takeover bids	154.7	77.7	-49.8 %	77.7
Market supervision	**34,469.1**	**34,824.1**	**1.0 %**	**43,148.7**
AIAF members	202.2	209.2	3.5 %	263.0
Sociedad de Sistemas members	22,148.8	21,792.9	-1.6 %	27,499.6
Stock market members	11,820.6	12,555.6	6.2 %	15,066.9
MEFF Fixed Income members	1.7	1.6	-5.9 %	2.0
MEFF Equity members	294.5	263.4	-10.6 %	315.5
MFAO members	1.3	1.4	7.7 %	1.7
Market participant supervision	**9,349.0**	**8,484.2**	**-9.3 %**	**10,464.6**
UCITS Supervision	7,835.6	6,973.8	-11.0 %	8,610.4
Mutual funds	6,510.8	5,672.7	-12.9 %	7.017,8
Investment companies	1,056.3	1,044.1	-1.2 %	1.286,9
Real estate mutual funds	253.1	227.9	-10.0 %	272,9
Real estate investment companies	15.4	29.1	89.0 %	32,8
Supervision of UCITS and securitisation fund management companies	268.5	226.5	-0.7 %	330.2
UCITS management companies	248.7	243.2	-2.2 %	300,7
Securitisation fund management companies	19.7	23.3	18.3 %	29,5
Supervision of investment services firms	1,245.0	1,243.9	-0.1 %	1,524.0
Portfolio management companies	11.1	9.9	-10.8 %	12,4
Broker-dealers and brokers	1,233.9	1,234.0	0.0 %	1.511,6
Issuance of certificates	**3.2**	**3.4**	**6.2 %**	**3.4**
Total	**50,907.7**	**52,973.1**	**4.1 %**	**63,631.0**

Source: CNMV. (1) Revenue according to the General Chart of Accounts for the Public Sector approved by Order of 6 May 1994, in force until 31/12/2010. (2) Revenue according to the new General Chart of Accounts for the Public Sector approved by Order of 13 April 2010.

18 National Securities Numbering Agency

The CNMV discharges the functions of the Spanish National Securities Numbering Agency (Spanish acronym: ANCV), whose main goal is to assign and administer International Securities Identification Numbers (ISIN, ISO standard 6166) and Classification of Financial Instruments (CFI, ISO standard 10962) codes to facilitate their dissemination and use among users. The CNMV is also responsible for assigning the Financial Instrument Short Name (FISN, ISO standard 18774). In Spain, the ISIN code is used as the primary identifier in securities trading, clearing and settlement. The CNMV is a founder and full member of the Association of National Numbering Agencies (ANNA), which at 2011 year-end had a total of 82 full member countries and 29 associates representing 36 countries.

As part of its international activity, the ANCV is a member of various working groups and management bodies relating to its activity. In 2011, this agency was appointed to occupy the Chair of the Advisory Board of the ANNA Service Bureau (ASB), which the agency has been a member of since 2008. ASB is envisioned as a central hub to receive and consolidate ISIN and CFI codes sent daily by all ANNA members, thus collaborating in disseminating this information to the market.

In 2011, the review of ISO 6166, which refers to ISIN numbering, entered its final stage, which should lead to the publication of the seventh edition, which will substitute the current one. This new edition will include the main new aspects that have occurred worldwide in the area of financial instruments for the purposes of their numbering.

With regard to the key figures of the ANCV, the securities and financial instruments with an ISIN in 2011 totalled 13,571 (97% of these were listed), a fall of 7% on 2010 (see table 18.1). This fall was largely due to the reduction in the number of option contracts with ISIN. The codes assigned to public debt issues fell compared with the previous year. Private fixed-income issues with ISIN reflect an increase in commercial paper and covered bonds and a reduction in simple bonds. There was a significant increase in warrants with ISIN and a fall in issues of structured products. The number of equity issues increased. The number of preferred shares was very low. Finally, in the financial derivatives market, in addition to the aforementioned fall in option contracts, the number of futures contracts fell slightly.

No. of securities and other financial instruments with ISIN in 2010 and 2011

TABLE 18.1

	Listed			Total		
	2010	2011	%change	2010	2011	% change
Equity	**44**	**52**	**18.2**	**335**	**375**	**11.9**
Shares	13	10	-23.1	109	127	16.5
UCITS and venture capital funds	31	41	32.3	224	245	9.4
Preferred shares	0	1	100.0	2	3	50.0
Fixed-income markets	**3,189**	**3,773**	**18.3**	**3,206**	**3,790**	**18.2**
Public debt	97	87	-10.3	97	87	-10.3
Treasury bills and commercial paper	15	12	-20.0	15	12	-20.0
Bonds and debentures	82	75	-8.5	82	75	-8.5
Private fixed income	3,092	3,686	19.2	3,109	3,703	19.1
Commercial paper	2,865	3,447	20.3	2,865	3,448	20.3
Bonds	67	39	-41.8	74	46	-37.8
Debentures	8	5	-37.5	9	8	-11.1
Covered bonds	78	113	44.9	82	115	40.2
Securitisation bonds	74	82	10.8	79	86	8.9
Structured products	**57**	**45**	**-21.1**	**62**	**48**	**-22.6**
Rights	**27**	**35**	**29.6**	**27**	**36**	**33.3**
Warrants and certificates	**2,603**	**3,772**	**44.9**	**2,609**	**3,829**	**46.8**
Options	**8,106**	**5,258**	**-35.1**	**8,106**	**5,258**	**-35.1**
Futures	**242**	**235**	**-2.9**	**242**	**235**	**-2.9**
Total	**14,268**	**13,170**	**-7.7**	**14,587**	**13,571**	**-7.0**

Source: CNMV.

At the end of the year, the number of active securities and other financial instruments with ISIN in the ANCV database totalled 22,794. Listed securities and financial instruments accounted for 57.3% of the total

The total number of queries to the ANCV in 2011 was 766, a fall of 19.6% on the previous year. Queries regarding Spanish codes, which accounted for 81.6% of the total, fell by 13.9% on the previous year. Queries about foreign codes fell by 37.9%.

Queries handled directly by the ANCV

TABLE 18.2

	2010	2011	% change
Spanish codes	726	625	-13.9
Foreign codes	227	141	-37.9
Total	**953**	**766**	**-19.6**

Source: CNMV.

19 CNMV Advisory Committee

19.1 Introduction

Pursuant to Article 22 of the Securities Market Act, the CNMV Advisory Committee, chaired by the CNMV's Vice-Chairman, is the body which provides advice to the Board. The Act also indicates that the Advisory Committee will include representatives from the market infrastructures, the issuers, investors, credit institutions and insurance companies, professional groups designated by the CNMV, investment guarantee funds and each one of the autonomous regions with authority as regards securities markets and in which there is an official secondary market.

Article 22 of the Securities Market Act was amended by Law 21/2011 and updated to include reference to the representatives of the professional groups designated by the CNMV. Royal Decree 303/2012 was published in February 2012 to adapt the legislation to the changes introduced by Law 21/2011, thus including the representatives of new participants in the securities markets, as well as experts from different professional areas linked to this activity (see table 19.1). The aim is to improve and update the composition of the advisory committee, making it more representative and therefore increasing its capacity to discharge its advisory functions.

With regard to the functions of the Advisory Committee, in accordance with Article 23 of the Securities Market Act, the Committee shall issue a mandatory report in the following cases: i) approval of CNMV circulars; ii) imposition of penalties for very serious breaches, although this function has been amended by the fifth final provision of the Sustainable Economy Act 2/2011, of 4 March, withdrawing the involvement of the Committee in disciplinary proceedings for very serious breaches brought subsequent to the entry into force of the aforementioned act; iii) authorisations, revocations, mergers and takeovers of investment services firms; iv) authorisations, revocations and mergers and takeovers of the branches of investment services firms from non-EU countries.[1]

In addition to its consultative role to the Board, the Advisory Committee provides advice on draft regulations relating generally to the securities market and which are referred to it by the Government or the Ministry of the Economy and Finance. It thus adheres to the principle of consulting the affected sectors when new regulations are being drafted.

1 It should be noted, however, that the since 2008 no proceedings have been processed for authorisations, revocations and mergers and takeovers of investment services firms as a consequence of the approval of Royal Decree 217/2008, of 15 February, on the legal regime of investment services firms, which does not provide for the involvement of the Advisory Committee in these types of proceedings. The Securities Market Act establishes that the Advisory Committee report shall be mandatory in authorisations, revocations and mergers and takeovers of investment services firms when established by legislation. Approval of Royal Decree 217/2008 led to the repeal of Royal Decree 867/2001, which did contain this provision.

New composition of the Advisory Committee (RD 303/2012) TABLE 19.1

Group represented	Previous composition	New composition
Official secondary markets / market infrastructures	Six representatives from stock markets, the futures and options markets, other official secondary markets and the Sociedad de Sistemas.	Three representatives from equity markets, fixed income and/or derivative markets and the securities clearing and settlement systems and central counterparties.
Issuers	Four representatives chosen by a draw among all issuers.	Two representatives: one chosen by a draw from the Ibex 35 companies which present their candidacy and another for the most representative association of issuers.
Investors	Four representatives of consumers and users and representative associations of insurance companies, pension funds and UCITS.	Four representatives of consumers and users and the most representative associations of UCITS, pension funds and shareholders of listed companies.
Autonomous Regions	Three representatives from Catalonia, Valencia and the Basque Country.	Three representatives from Catalonia, Valencia and the Basque Country.
Credit institutions and insurance companies	–	Four representatives from the most representative associations of banks, savings banks and credit co-operatives and insurance companies.
Professional groups	–	Three representatives: – Auditor; – Financial analyst; – Expert of recognised standing.
Investment Guarantee Fund (investment services firms)	–	One representative from the FOGAIN (general investment guarantee fund).

Source: CNMV.

In addition, in 2004 the CNMV agreed to enhance the consultative role of the Advisory Committee by extending its scope to international issues related to securities markets. As a result, the Committee's agenda regularly includes issues referred to it voluntarily (not by legal mandate) that relate to consultation from international bodies, such as IOSCO and ESMA, as well as initiatives of the CNMV or the Committee itself. This allows greater participation of the sector in line with international recommendations on analysing the impact of regulations.

The Committee must meet at least once every three months according to legislation, but in practice it normally holds a meeting every month.

19.2 Actions by the Committee in 2011

Table 19.2 offers a statistical summary of the issues addressed by the Advisory Committee in 2011.

The volume of work was similar to the previous year. The activity related to draft regulations remains the most important, partly due to the current economic situation and the extensive regulatory activity by the EU in this area. The slight fall in proposals of very serious penalties analysed was the result of the elimination of the mandatory report by the Advisory Committee in Law 2/2011, and further falls can be expected under this heading in 2012. Two fewer voluntary consultations were analysed in 2011 compared with the previous year.

Types of issues referred to the Advisory Committee

TABLE 19.2

	Number of issues	
	2010	**2011**
Mandatory reports on regulations	15	15
Proposals for very serious penalties	12	11
Voluntary consultations (IOSCO, CESR and others)	11	9
Total	**38**	**35**

Source: CNMV.

Table 19.2 provides a breakdown of the issues addressed within the three categories considered above.

List of CNMV Advisory Committee actions in 2011

TABLE 19.3

Mandatory reports on regulations

- Draft Circular which partially amends CNMV Circular 1/2009, of 4 February, on categories of UCITS based on their investment profile (31/01/2011).
- Draft Bill which amends Act 35/2003, of 4 November, on UCITS (28/02/2011).
- Draft Royal Decree which amends Royal Decree 216/2008, of 15 February, on own funds of financial institutions (26/04/2011).
- Draft Circular on information of foreign UCITS registered in the CNMV registries (30/05/2011).
- Draft Bill which amends Securities Market Act 24/1988, of 28 July (02/06/2011).
- Draft Ministerial Order on transparency and protection of financial services customers (12/09/2011).
- Draft CNMV Circular on fee prospectuses and the content of standard contracts. (12/09/2011).
- Proposal to amend Circular 4/2008 on the content of the quarterly, half-yearly and annual reports of UCITS (26/09/2011).
- Proposal to amend Circular 12/2008 on insolvency of investment services firms and Circular 7/2008 on accounting standards, annual accounts and statements of reserved information of investment services firms, UCITS management companies and venture capital management companies (26/09/2011).
- Draft Order on 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 (26/09/2011).
- Draft Royal Decree which regulates the CNMV Advisory Committee (04/10/2011).
- Draft Ministry of Economy and Finance Order (EHA) which determines the content and structure of the annual corporate governance report, the annual remuneration report and other information instruments of listed public limited companies and savings banks and other entities which issue securities admitted to trading on official securities markets (04/10/2011).
- Draft Circular which updates CNMV Circular 9/2008 on the financial information of the governing councils of Spanish market infrastructures (entities under Article 84.1 a and b of the Securities Market Act) (02/11/2011).
- Draft Circular which implements the Ministerial Order on the corporate governance reports of listed companies, savings banks and issuers with securities admitted to trading (02/11/2011).
- Draft Circular which implements the Ministerial Order relating to the preparation of the remuneration reports of listed companies and savings banks (02/11/2011).

List of CNMV Advisory Committee actions in 2011 *(cont.)*

TABLE 19.3

Proposals for very serious penalties

- Three penalties for sending annual financial information to the CNMV after the legally established deadline (28/02/2011, 26/07/2011 and 26/07/2011).
- Two penalties for failure to report significant information to the CNMV (28/02/2011 and 12/09/2011).
- Two penalties for performing market manipulation practices through trading treasury shares of a listed company (28/03/2011 and 02/11/2011).
- For the breach of the regime on revenue, fees and expenses attributable to UCITS by the management company (28/03/2011).
- For the failure to report significant holdings in listed companies to the CNMV in the legally established period (26/04/2011).
- For communication and use of insider information on a listed company (12/09/2011).
- For a failure to comply with the obligation to report significant holdings in a listed company to the CNMV (26/09/2011).

Voluntary consultations (IOSCO, CESR and others)

- Consultation by the European Commission on the review of the MiFID Directive (31/01/2011).
- Consultation by the European Commission on the legislative steps to implement the initiatives relating to packaged retail investment products (PRIP) (31/01/2011).
- Consultation by the European Commission on central securities depositories (CSDs) and on the harmonisation of certain aspects of securities settlement in the European Union (28/02/2011).
- Consultation on ESMA's guidelines on the application of the endorsement regime under Article 4 (3) of the Credit Rating Agencies Regulation 1060/2009 (28/03/2011).
- Consultation by the European Commission relating to the Green Paper on the EU Corporate Governance Framework (30/05/2011).
- Consultation by OICV-IOSCO on principles for financial market infrastructures (26/07/2011).
- Discussion paper on ESMA's policy orientations and guidelines for UCITS Exchange Traded Funds and Structured UCITS (26/09/2011).
- CNMV Plan of Activities 2012 (14/12/2011).
- Presentation by the CNMV of the directives in process of negotiation in the EU (MiFID, market abuse and transparency) (14/12/2011).

Source: CNMV.

VI Report by the Internal Control Body

AUDIT REPORT PURSUANT TO ACT 44/2002, ON REFORM MEASURES FOR THE FINANCIAL SYSTEM-2011

1.- Introduction

The CNMV's Internal Control Department has performed the audit relating to adaptation of the decisions adopted by the governing bodies to the procedural regulations applicable in each case, in implementation of the Audit Plan and Internal Control Actions approved by the Commission's Board in its session of 8 February 2012, thus complying with the Second Additional Provision of Act 44/2002, of 22 November, on Reform Measures for the Financial System (Official State Gazette of 23 November).

The work has been adapted to the International Standards for the Professional Practice of Internal Auditing of the IIA (the Institute of Internal Auditors), pursuant to the Internal Audit Rules for the CNMV approved by a Resolution of the Board on 4 April 2011.

2.- Aims and scope

The aim of the work is to verify adaptation to the procedural legislation applicable in adopting supervision decisions by the CNMV's governing bodies in 2011.

The basic legislation applicable to CNMV procedures is as follows:

- Securities Market Act (24/1998, of 28 July).
- Legal Regime of Public Administrations and Common Administrative Procedure Act (30/1992, of 26 November).
- The CNMV's Internal Regime Regulations.

It has also taken into account Resolutions about the delegation of powers to the Chairman, the Vice-Chairman and the Executive Committee of the CNMV, of 28 July 2010 and 6 July 2011.

There have been no limits placed on the scope in the performance of the work.

3.- Opinion.

In our opinion, having completed the audit work, it can be concluded that in 2011 the CNMV's governing bodies have met the requirements established in current legislation relating to the procedure and authority applicable in each case within the scope of the supervision entrusted to it by the Securities Market Act and other legislation.

Madrid, 7 May 2012

Director of the Internal Control Department

Signed: Margarita García Muñoz

VII Financial statements of the CNMV

Summary of financial statements 2011[1]

1 Balance sheet

Assets	2011
A) Non-current assets	**105,834,647.80**
I. Intangible fixed assets	**4,822,310.80**
3. Computer software	4,822,310.80
II. Property, plant and equipment	**73,923,470.00**
1. Land	43,696,837.70
2. Buildings	1,130,223.30
5. Other property, plant and equipment	3,162,587.70
6. Fixed assets under construction and advances paid	25,933,821.20
IV. Long-term financial investments in group companies, jointly-controlled entities and associates	**19,755,221.10**
3. Loans and debt securities	19,755,221.10
V. Long-term financial investments	**7,333,645.80**
1. Financial investments in equity	935.4
2. Loans and debt securities	7,332,710.50
B) Current assets	**104,742,334.00**
III. Trade and other receivables	**19,261,141.40**
1. Receivables for operating activities	14,908,342.50
2. Other receivables	4,351,798.50
3. Public authorities	1,000.40
IV. Short-term financial investments in group companies, jointly-controlled entities and associates	**74,131,516.40**
2. Loans and debt securities	74,131,516.40
V. Short-term financial investments	**218,979.20**
2. Loans and debt securities	218,979.20
VI. Prepayments and accrued income	**395,047.60**
VII. Cash and cash equivalents	**10,735,649.50**
1. Cash equivalents	51,533.90
2. Cash	10,684,115.60
TOTAL ASSETS	**210,576,981.80**

1 In accordance with Third Transitory Provision of Order 1037/2010, which approves the General Chart of Accounts for the Public Sector, as the CNMV's 2011 annual accounts are the first accounts prepared under said Chart, they do not include comparative figures for 2010 in the income statement or in the other statements.

1 Balance sheet *(continuation)*

EQUITY AND LIABILITIES	2011
A) Equity	**156,302,428.60**
I. Contributed equity	**5,385,871.30**
II. Equity generated	**150,916,557.30**
1. Retained earnings / losses	-209,182.20
2. Surplus for the year	20,954,401.50
3. Reserves	130,171,338.00
B) Non-current liabilities	**1,087,022.00**
I. Long-term provisions	**1,087,022.00**
C) Current liabilities	**53,187,531.20**
I. Short-term provisions	**239,662.50**
II. Short-term debts	**49,385,464.10**
4. Other debts	49,385,464.10
IV. Trade and other payables	**3,562,404.70**
1. Payables for operating activities	1,639,669.60
2. Other payables	714,163.90
3. Public authorities	1,208,571.30
TOTAL EQUITY AND LIABILITIES	**210,576,981.80**

2 Income statement

		2011
1.	**Tax revenues and social contributions**	**63,630,994.10**
	b) Fees	63,630,994.10
5.	**Own work capitalised**	**644,424.80**
6.	**Other ordinary revenue**	**161,294.60**
A)	**TOTAL ORDINARY REVENUE (1+2+3+4+5+6+7)**	**64,436,713.50**
8.	**Personnel expenses**	**-27,635,988.50**
	a) Salaries, wages and similar	-21,708,575.50
	b) Employee welfare expenses	-5,927,413.00
9.	**Transfers and subsidies granted**	**-442,122.60**
11.	**Other ordinary expenses**	**-15,757,723.80**
	a) Supplies and outside services	-15,702,929.30
	b) Taxes	-54,794.50
12.	**Depreciation and amortisation**	**-1,762,107.00**
B)	**TOTAL ORDINARY EXPENSES (8+9+10+11+12)**	**-45,597,941.90**
I.	**Profit (loss) from ordinary activities (A+B)**	**18,838,771.70**
13.	**Impairment and gains (losses) from disposal of non-financial assets and assets for sale**	**-381,868.20**
	b) Deletions and disposals	-381,868.20
14.	**Other non-ordinary items**	**90,084.60**
	a) Revenue	126,977.60
	b) Expenses	-36,893.10
II.	**Profit (loss) from non-financial operations (I+13+14)**	**18,546,988.00**
15.	**Financial income**	**2,544,948.40**
	b) From marketable securities and loans forming part of fixed assets	2,544,948.40
	b.1) In group companies, jointly-controlled entities and associates	1,873,163.70
	b.2) Other	671,784.70
16.	**Financial expenses**	**-42,244.80**
	b) Other	-42,244.80
19.	**Exchange differences**	**-2,696.80**
20.	**Impairment, deletions and disposal of financial assets and liabilities**	**-92,593.20**
	b) Other	-92,593.20
III.	**Profit (loss) from financial operations (15+16+17+18+19+20+21)**	**2,407,413.50**
IV.	**Net profit for the year (II+III)**	**20,954,401.50**

3 Cash flow statement

	2011
I. CASH FLOWS FROM OPERATING ACTIVITIES	
A) Receipts	**53,478,768.9**
1. Tax revenues and social contributions	52,139,914.3
2. Transfers and subsidies received	0.0
3. Net sales and provision of services	186,825.2
4. Management of funds collected on behalf of other bodies	0.0
5. Interest and dividends received	1,084,921.9
6. Other receipts	253,932.7
B) Payments	**43,517,889.4**
7. Personnel expenses	28,010,307.9
8. Transfers and subsidies granted	442,122.6
9. Supplies	0.0
10. Other operating expenses	14,907,966.1
11. Management of funds collected on behalf of other bodies	0.0
12. Interest paid	0.0
13. Other payments	157,492.8
Net cash flows from operating activities (A-B)	**9,960,879.4**
II. CASH FLOWS FROM INVESTMENT ACTIVITIES	
C) Receipts	**122,000,300.5**
1. Sale of property investments	0.0
2. Sales of financial assets	122,000,000.0
3. Other receipts from investment activities	300.5
D) Payments	**137,109,654.7**
4. Purchase of property investments	20,456,999.5
5. Purchase of financial assets	116,212,129.8
6. Other payments for investment activities	440,525.4
Net cash flows for investment activities (C-D)	**-15,109,354.2**
III. CASH FLOWS FROM FINANCING ACTIVITIES	**0.0**
E) Increases in equity:	**0.0**
1. Contributions from owner(s)	0.0
F) Payments to owning entity/entities:	**0.0**
2. Return of contributions and payment of profit (loss) to owner(s)	0.0
G. Receipts for issues of financial liabilities:	**0.0**
3. Debentures and other marketable securities	0.0
4. Loans received	0.0
5. Other debts.	0.0
H) Payments for redemption of financial liabilities:	**0.0**
6. Debentures and other tradable securities	0.0
7. Loans received	0.0
8. Other debts	0.0
Net cash flows from financing activities (E-F+G-H)	**0.0**
IV. CASH FLOWS PENDING CLASSIFICATION	
I) Receipts pending application	**1,810.0**
J) Payments pending application	**42,143.9**
Net cash flows pending classification (I-J)	**-40,333.9**
D) EFFECT OF EXCHANGE RATE CHANGES	**-1,863.4**
VI. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)	**-5,190,672.0**
Cash and cash equivalents at the start of the year	**15,926,321.5**
Cash and cash equivalents at the end of the year	**10,735,649.5**

4 Statement of changes in equity

	I. Contributed equity	II. Equity generated	III. Adjustments for changes in value	IV. Other equity increases	Total
A. Equity at end of financial year N-1	**5385871.28**	**154666308.5**	**0**	**0**	**160052179.7**
B. Adjustments for changes in accounting criteria and error correction	**0**	**0**	**0**	**0**	**0**
C. Adjusted starting equity for financial year N (A+B)	**5,385,871.30**	**154666308.5**	**0**	**0**	**160052179.7**
D. Changes in equity in financial year N	**0**	**-3.749.751.11**	**0**	**0**	**-3749751.11**
1. Recognised income and expense in the year	0	20954401.52	0	0	20954401.52
2. Transactions with owner(s)	0	-24704152.63	0	0	-24704152.63
3. Other changes in equity	0	0	0	0	0
A. Equity at end of financial year N (C+D)	**5,385,871.30**	**150916557.3**	**0**	**0**	**156302428.6**

Annexes

Statistical annexes I: markets and issuers

Capital increases and public offerings1[1]

I.1

Million euro

	Number of Issuers			Number of Issuers		
	2010	2011	Change 11/10	2010	2011	Change 11/10
Capital increases	**31**	**34**	**3**	**51**	**68**	**17**
Which are subscription offerings[2]	11	8	-3	11	8	-3
With domestic tranches	11	8	-3	11	8	-3
With international tranches	4	5	1	4	5	1
Public offerings (IPO)	**2**	**1**	**-1**	**3**	**1**	**-2**
Of domestic tranches	2	1	-1	3	1	-2
Of international tranches	1	1	0	2	1	-1
Total	**32**	**34**	**2**	**54**	**69**	**15**
Pro memoria: stock exchange listings						
By means of IPO or subscription offering[2]	12	6	-6	14	6	-8
Others	1	4	3	1	4	3

Source: CNMV. (1) Only effective and completed operations are included. (2) Public offering of rights subscription, with the prior waiver of the shareholders to their pre-emptive subscription rights.

Capital increases and public offerings: cash amount

I.2

Million euro

Issuer	Cash amount [1]	Type of transaction	Date registered with the CNMV
Papeles y Cartones de Europa, S.A.	0.0	Bonus issue	04-Jan-11
SOS Corporación Alimentaria, S.A.	128.3	Capital increase for non-monetary consideration	05-Jan-11
Gestevisión Telecinco, S.A.	671.6	Capital increase for non-monetary consideration	25-Jan-11
Inmobiliaria Colonial, S.A	0.0	Capital increase by conversion	27-Jan-11
Promotora de Informaciones, S.A.	0.2	Capital increase without trading warrants	01-Feb-11
Banco de Sabadell, S.A.	410.7	Capital increase without trading warrants	02-Feb-11
Sacyr Vallehermoso, S.A.	96.1	Capital increase with pre-emptive subscription rights	03-Feb-11
Grupo Ezentis, S.A.	2.0	Capital increase without trading warrants	03-Feb-11
Nyesa Valores Corporación, S.A.	1.9	Capital increase without trading warrants	03-Feb-11
Banco Santander, S.A.	0.0	Bonus issue	08-Feb-11
Promotora de Informaciones, S.A.	0.3	Capital increase without trading warrants	23-Feb-11
Iberdrola, S.A.	1,906.0	Capital increase without trading warrants	15-Mar-11
Nyesa Valores Corporación, S.A.	2.0	Capital increase without trading warrants	16-Mar-11
Promotora de Informaciones, S.A.	0.2	Capital increase without trading warrants	22-Mar-11
Service Point Solutions, S.A.	14.5	Capital increase with pre-emptive subscription rights	24-Mar-11
Jazztel, PLC.	1.3	Capital increase without trading warrants	31-Mar-11
Nyesa Valores Corporación, S.A.	1.9	Capital increase without trading warrants	31-Mar-11
Nyesa Valores Corporación, S.A.	2.4	Capital increase without trading warrants	19-Apr-11
Banco Bilbao Vizcaya Argentaria, S.A.	0.0	Bonus issue	26-Apr-11
Promotora de Informaciones, S.A.	0.9	Capital increase without trading warrants	28-Apr-11
Promotora de Informaciones, S.A.	0.0	Capital increase for non-monetary consideration	28-Apr-11
Inmobiliaria Colonial, S.A.	0.0	Capital increase by conversion	28-Apr-11
Urbas Guadahermosa, S.A.	11.9	Capital increase for non-monetary consideration	03-May-11
Banco Popular Español, S.A.	0.0	Bonus issue	05-May-11
Urbas Guadahermosa, S.A.	6.7	Capital increase by conversion	05-May-11
Nyesa Valores Corporación, S.A.	1.0	Capital increase without trading warrants	26-May-11
Mapfre, S.A..	190.5	Capital increase with pre-emptive subscription rights	31-May-11
Promotora de Informaciones, S.A.	0.1	Capital increase without trading warrants	31-May-11
Promotora de Informaciones, S.A.	0.0	Capital increase for non-monetary consideration	31-May-11
Grifols, S.A.	880.9	Capital increase without trading warrants	01-Jun-11
Banco Pastor, S.A.	0.0	Bonus issue	10-Jun-11
Banco de Valencia, S.A.	0.0	Bonus issue	14-Jun-11
Gas Natural SDG, S.A.	0.0	Bonus issue	28-Jun-11
Bankia, S.A	3,092.2	Capital increase without trading warrants	29-Jun-11
Banca Cívica, S.A.	599.2	Capital increase without trading warrants	29-Jun-11
Promotora de Informaciones, S.A.	0.0	Capital increase for non-monetary consideration	30-Jun-11
Promotora de Informaciones, S.A.	0.1	Capital increase without trading warrants	30-Jun-11
CaixaBank, S.A.	1,800.9	Capital increase for non-monetary consideration	05-Jul-11
Metrovacesa, S.A.	1,949.9	Capital increase with pre-emptive subscription rights	07-Jul-11
Sacyr Vallehermoso, S.A.	0.0	Bonus issue	07-Jul-11
Banco Bilbao Vizcaya Argentaria, S.A.	1,999.8	Capital increase by conversion	18-Jul-11
Banco Popular Español, S.A.	0.0	Bonus issue	19-Jul-11
Promotora de Informaciones, S.A.	0.0	Capital increase without trading warrants	19-Jul-11

Million euro

Issuer	Cash amount [1]	Type of transaction	Date registered with the CNMV
European Aeronautic Defence and Space Company Eads, N.V.	0.8	Capital increase without trading warrants	19-Jul-11
Gamesa Corporación Tecnológica, S.A.	0.0	Bonus issue	21-Jul-11
Inmobiliaria Colonial, S.A.	0.0	Capital increase by conversion	21-Jul-11
Grupo Ezentis, S.A.	30.0	Capital increase for non-monetary consideration	28-Jul-11
Grupo Ezentis, S.A.	10.7	Capital increase by conversion	28-Jul-11
CaixaBank, S.A.	0.0	Bonus issue	28-Jul-11
Iberdrola, S.A.	0.0	Bonus issue	04-Aug-11
Zardoya Otis, S.A.	0.0	Bonus issue	11-Aug-11
Gas Natural SDG, S.A.	514.7	Capital increase without trading warrants	11-Aug-11
European Aeronautic Defence and Space Company Eads, N.V.	2.5	Capital increase without trading warrants	25-Aug-11
Banco de Sabadell, S.A.	1.6	Capital increase by conversion	01-Sep-11
Abertis Infraestructuras, S.A.	0.0	Bonus issue	20-Sep-11
Promotora de Informaciones, S.A.	0,0	Capital increase without trading warrants	20-Sep-11
Cartera Industrial Rea, S.A.	13,1	Capital increase with pre-emptive subscription rights	22-Sep-11
Faes Farma, S.A.	0,0	Bonus issue	27-Sep-11
Promotora de Informaciones, S.A.	0,0	Capital increase without trading warrants	06-Oct-11
Promotora de Informaciones, S.A.	0,5	Capital increase for non-monetary consideration	06-Oct-11
Service Point Solution, S.A.	8,4	Capital increase without trading warrants	11-Oct-11
Banco Santander, S.A.	17,3	Capital increase by conversion	11-Oct-11
Bankinter, S.A.	0,0	Bonus issue	13-Oct-11
Banco Bilbao Vizcaya Argentaria, S.A.	0,0	Bonus issue	24-Oct-11
Inmobiliaria Colonial, S.A.	0,1	Capital increase by conversion	25-Oct-11
CaixaBank, S.A.	0,0	Bonus issue	27-Oct-11
Promotora de Informaciones, S.A.	0,0	Capital increase without trading warrants	02-Nov-11
Promotora de Informaciones, S.A.	0,5	Capital increase for non-monetary consideration	02-Nov-11
Dinamia Capital Privado, S.A., SCR	0,0	Bonus issue	03-Nov-11
Banco Popular Español, S.A.	5,5	Capital increase by conversion	08-Nov-11
Banco Santander, S.A.	0,0	Bonus issue	08-Nov-11
Urbas Grupo Financiero, S.A.	3.0	Capital increase for non-monetary consideration	01-Dec-11
Promotora de Informaciones, S.A.	0,0	Capital increase without trading warrants	07-Dec-11
Promotora de Informaciones, S.A.	0,4	Capital increase for non-monetary consideration	07-Dec-11
Miquel y Costas & Miquel, S.A.	0,0	Bonus issue	13-Dec-11
Vidrala, S.A.	0,0	Bonus issue	13-Dec-11
Banco Santander, S.A.	1.965,6	Capital increase without trading warrants	13-Dec-11
Banco de Sabadell, S.A.	96,0	Public offering	13-Dec-11
Banco de Sabadell, S.A.	771,0	Capital increase without trading warrants	13-Dec-11
Funespaña, S.A.	23,2	Capital increase without trading warrants	15-Dec-11
Urbas Grupo Financiero, S.A.	27,8	Capital increase by conversion	20-Dec-11
Banco de Sabadell, S.A.	3,7	Capital increase by conversion	20-Dec-11
Grifols, S.A.	0,0	Bonus issue	29-Dec-11

Source: CNMV. (1) Issues of new shares not paid for in cash have been valued at market prices.

Delistings in 2011[1]

I.3

Company	Market	Reason. Procedure	Date
Suzano Petroquímica	SIBE	Delisted from Latibex	14/02/2011
Reyal Urbis	SIBE	Delisted from Bilbao Stock Exchange	4/04/2011
Círculo de valores mobiliarios	Open Outcry	Delisted from Barcelona Stock Exchange by Regional Government of Catalonia	2/08/2011
CEPSA	SIBE	Settlement after squeeze-out by IPIC	23/08/2011
Befesa Medio Ambiente	SIBE	Settlement after squeeze out by Proyectos de Inversiones Medioambientales	25/08/2011

Source: CNMV. (1) Does not include delistings as a result of a change of market or of SICAVs.

Sector indices in the Madrid and Barcelona stock exchanges

I.4

Yield in the period (%)

					2011			
	2008	2009	2010	2011	1Q	2Q	3Q	4Q
Madrid Stock Exchange								
Oil and energy	-2.7	-8.6	-8.6	-2.7	11.5	0.9	-16.7	3.8
Commodities, industry and construction	22.5	-15.2	-15.2	-14.3	11.2	-6.2	-19.5	2.1
Consumer goods	26.3	17.0	17.0	5.7	3.3	6.1	-2.9	-0.7
Consumer services	32.3	-0.1	-0.1	-24.2	9.8	-4.7	-27.9	0.6
Financial and real estate services	47.3	-31.7	-31.7	-18.9	7.9	-4.4	-21.5	0.2
Banking	50.0	-33.1	-33.1	-20.3	6.6	-4.4	-21.9	0.2
Real estate and others	-31.8	-53.3	-53.3	-47.5	26.7	-19.0	-38.3	-17.2
Technology and telecommunications	22.8	-12.8	-12.8	-20.9	3.4	-3.9	-14.7	-6.6
Madrid Stock Exchange General Index	**27.2**	**-19.2**	**-19.2**	**-14.6**	**7.5**	**-2.7**	**-17.8**	**-0.6**
Barcelona Stock Exchange								
Electricity	-9.1	-8.3	-8.3	-12.8	7.4	0.6	-15.3	-4.6
Banks	58.1	-32.1	-32.1	-17.1	7.7	-3.4	-21.0	0.9
Chemicals	21.5	2.6	2.6	14.2	16.2	-0.1	-15.2	16.1
Cement, construction and real estate	20.2	-17.5	-17.5	-0.4	21.6	-5.2	-15.0	1.6
Metallurgy	6.1	-31.1	-31.1	-35.9	6.9	-12.9	-36.5	8.5
Food, agriculture and forestry	2.2	15.6	15.6	-13.4	-0.4	-5.0	-18.2	12.0
Textiles and paper	38.1	28.0	28.0	12.0	1.4	10.7	1.7	-1.8
Trade and finance	21.0	-2.3	-2.3	4.3	25.2	-3.0	-20.9	8.6
Sundry services	23.5	-11.6	-11.6	-18.5	5.6	-3.6	-16.0	-4.6
BCN Global 100	**34.7**	**-19.7**	**-19.7**	**-13.6**	**8.1**	**-2.8**	**-18.0**	**0.2**

Source: Bolsas y Mercados Españoles.

Concentration of capitalisation by sector

I.5

Sector	2010				2011			
	25%	50%	75%	100%	25%	50%	75%	100%
Oil	1	1	1	2	1	1	1	1
Energy & water	1	2	3	9	1	2	3	8
Mining & base metals	1	1	1	8	1	1	3	7
Cement and construction materials	1	2	3	4	1	2	3	4
Chemicals	1	2	3	6	1	2	3	6
Textiles and paper	1	1	1	17	1	1	1	16
Metal-mechanical	1	2	4	15	1	2	4	15
Food	1	2	4	12	1	2	4	12
Construction	1	2	4	8	1	2	4	8
Real estate	2	4	8	22	2	3	6	23
Transport and communications	1	1	1	4	1	1	1	4
Other non-financial	1	3	7	25	1	4	7	27
Banks	1	1	2	9	1	2	3	12
Insurance	1	1	1	2	1	1	1	2
Portfolio companies	1	1	1	8	1	1	1	7
SICAV	1	1	2	2	1	1	1	1
Finance houses	0	0	0	0	0	0	0	0

Source: CNMV.

Concentration of variable yield stock market trading

I.6

No. of companies required in order to achieve a specific percentage

	2010				2011			
	25%	50%	75%	100%	25%	50%	75%	100%
All Stock Exchanges	**1**	**2**	**5**	**157**	**2**	**3**	**6**	**155**
Continuous market	1	2	5	131	2	3	6	130
Domestic	1	2	5	125	2	3	6	123
Foreign	1	1	1	6	1	1	2	7
Open outcry	1	1	1	21	1	2	4	28
Second market	1	1	1	5	1	1	1	5
ETF	2	4	6	65	2	3	6	73
MAB	20	93	275	3,185	11	64	224	3,114
LATIBEX	6	9	15	32	2	4	10	28

Source: CNMV.

Percentage of capitalisation by sector and the largest companies within each sector with respect to the overall market[1]

I.7

Sector	% sector/market [2]	Companies with the largest capitalisation in the sector	% company/market [3]
Oil	6.9	Repsol YPF	6.9
Energy & water		Iberdrola	6.8
		Endesa	4.0
		Gas Natural	3.1
Mining & base metals	1.1	Acerinox	0.6
		Grupo Duro Felguera	0.2
		Cie. Automotive	0.2
Cement and construction materials	0.4	Cementos Molins	0.1
		Vidrala	0.1
		Uralita	0.1
Chemicals	0.4	Almirall, S.A.	0.2
		Zeltia	0.1
		Faes Farma	0.1
Textiles and paper	10.7	Industria de Diseño Textil, Inditex	9.4
		Grifols	0.9
		Grupo Empresarial ENCE	0.1
Metal-mechanical	2.3	Zardoya Otis	0.9
		Técnicas Reunidas, S.A.	0.4
		Abengoa	0.4
Food	1.7	Ebro Foods, S.A.	0.5
		Sociedad Anónima DAMM	0.4
		Viscofan	0.3
Construction	5.8	ACS, Actividades de Construcción y Servicios	1.7
		Ferrovial, S.A.	1.6
		Acciona	1.0
Real estate	1.0	Metrovacesa	0.2
		Testa Inmuebles en Renta, S.A.	0.2
		Grupo Inmocaral	0.1
Transport and communications	17.6	Telefónica	14.5
		Abertis Infraestructuras	2.3
		IAG	0.8
Other non-financial	5.0	Amadeus IT Holding	1.3
		DÍA	0.6
Banks	28.5	Banco Santander	11.9
		Banco Bilbao Vizcaya Argentaria	7.8
		Caixabank	3.5
Insurance	2.2	Mapfre, S.A.	1.8
		Grupo Catalana Occidente	0.4
Portfolio companies	0.6	Corporación Financiera Alba	0.4
		Unión Europea de Inversiones	0.1
		Renta 4 Banco	0.1
SICAVs	0.0	Compañía General de Inversiones	0.0

Source: CNMV. (1) Capitalisation at year-end. (2) Capitalisation of the sector as a percentage of the overall market. (3) Capitalisation of the companies listed as a percentage of the overall market.

Capitalisation and trading volume of Ibex 35 companies[1]

I.8

Million euro

	Market capitalisation[2]			Trading volume		
Company	2010	2011	% total[3]	2010	2011	% total[3]
Telefónica	77,428.2	61,089.1	14.6	252,393.4	210,014.5	22.9
Banco Santander	66,033.3	50,289.7	12.1	267,713.1	193,477.6	21.1
Inditex	34,925.2	32,753.4	7.8	31,699.3	118,482.9	12.9
Banco Bilbao Vizcaya Argentaria	33,951.3	28,977.2	6.9	169,246.5	90,737.2	9.9
Repsol YPF	25,455.0	28,465.4	6.8	52,261.9	57,387.9	6.3
Iberdrola	31,630.8	39,444.4	9.5	63,290.7	40,061.6	4.4
Endesa	20,428.6	13,154.5	3.2	3,078.8	10,864.0	1.2
Caizabank	13,391.0	9,575.7	2.3	4,436.3	10,690.3	1.2
Gas Natural	10,591.0	6,840.0	1.6	13,258.2	9,876.2	1.1
Abertis Infraestructuras	9,943.8	14,573.2	3.5	12,855.2	7,084.2	0.8
Corporación Mapfre	6,259.3	7,205.8	1.7	4,784.5	9,549.7	1.0
ACS	11,036.9	6,228.6	1.5	8,776.2	5,181.0	0.6
Grupo Ferrovial	5,453.7	4,931.3	1.2	8,585.3	8,970.2	1.0
Bankia	–	5,610.4	1.3	–	12,438.0	1.4
Amadeus IT Group	–	4,472.7	1.1	–	10,641.7	1.2
Banco Popular Español	5,281.1	484.4	0.1	15,229.2	3,769.0	0.4
Red Eléctrica Corporación	4,761.5	4,081.3	1.0	7,668.4	5,320.1	0.6
Acciona	3,368.2	3,411.5	0.8	5,955.6	7,929.7	0.9
Banco de Sabadell	3,727.7	4,240.7	1.0	5,727.8	5,623.5	0.6
Grifols	2,173.3	3,228.3	0.8	4,849.1	3,601.6	0.4
Enagás	3,560.7	7,560.3	1.8	6,730.0	6,232.9	0.7
International Airlines Group	3,045.2	3,723.2	0.9	4,007.6	6,564.1	0.7
FCC	2,502.8	2,265.4	0.5	3,468.9	2,964.8	0.3
Acerinox	3,272.1	2,208.0	0.5	4,281.5	2,962.5	0.3
Bankinter	1,967.7	2,551.2	0.6	3,410.6	2,997.5	0.3
Ebro Foods	479.70	1,739.2	0.4	5,313.6	2,795.3	0.3
Obrascón Huarte Lain	2,261.6	16,781.2	4.0	4,114.4	3,225.2	0.4
Mediaset España Comunicación	2,744.4	1,614.6	0.4	5,360.6	4,619.8	0.5
BME	1,490.9	1,552.0	0.4	2,597.8	5,173.3	0.6
Sacyr Vallehermoso	1.448.6	1,933.0	0.5	2,207.4	3,940.5	0.4
Indra Sistemas	2,098.4	2,470.6	0.6	4,352.6	3,874.3	0.4
Técnicas Reunidas	2,661.5	1,794.3	0.4	4,582.4	4,641.0	0.5
Abengoa	1,662.4	1,483.7	0.4	2,746.7	3,170.2	0.3
Gamesa Corporación Tecnológica	1,403.5	793.8	0.2	7,359.9	5,958.9	0.6
ArcelorMittal	479.7	1,677.7	0.4	5,313.6	3,023.3	0.3

Source: CNMV. (1) Ibex 35 companies as at 31 December 2011. (2) Capitalisation on the last day of the year. (3) With respect to the market total.

Takeover bids authorised in 2011

I.9

Million euro

Company	Offeror	Purpose	% capital addressed by the bid	Cash amount paid	Result (%)[1]
Befesa Medio Ambiente, S.A.	Proyectos de Inversiones Medioambientales, S.L. (Abengoa Group)	Obligatory takeover bid for delisting	2.6	16.1	2.5
Compañía Española de Petróleos, S.A.	International Petroleum Investment Company	Voluntary takeover bid for acquisition of control	53.0	3,855.9	51.5
Rústicas, S.A.	Inversiones Mobiliarias y Desarrollo, S.A.	Obligatory takeover bid for delisting	1.4	0.6	0.8
Total				**3,872.5**	

Source: CNMV. (1) Percentage of capital. In the event of pro-rating, the coefficient is indicated.

Companies listed on Latibex, by sector

I.10

Million euro

	No. of companies		Market capitalisation			Trading volume		
Sector	**2010**	**2011**	**2010**	**2011**	**% chg.**	**2010**	**2011**	**% chg.**
Oil	2	1	44.8	32.9	-26.7	87.6	68.7	-21.5
Energy & water	4	4	25.5	7.9	-69.1	43.7	24.5	-44.0
Mining & base metals	5	5	127.3	84.4	-33.7	216.7	131.8	-39.2
Chemicals	1	1	2.9	1.1	-63.7	4.9	4.4	-9.9
Textiles and paper	1	1	0.2	0.1	-60.4	0.0	0.0	–
Metal-mechanical	1	1	1.2	0.9	-30.8	10.7	11.4	6.4
Food	1	1	10.5	6.1	-41.8	10.8	9.7	-10.0
Real estate	2	2	1.5	0.3	-76.3	1.8	3.0	64.1
Transport and communications	3	3	24.0	3.3	-86.3	56.4	30.0	-46.9
Other non-financial	1	1	0.3	0.3	-5.0	0.9	0.6	-31.7
Banks	6	6	33.8	12.6	-62.6	57.7	41.9	-27.4
Portfolio companies	1	2	4.6	3.9	-15.6	22.3	22.6	1.4
Finance houses	1	1	1.4	2.0	40.0	7.6	9.0	18.3
Total	**29**	**29**	**278.1**	**155.7**	**-44.0**	**521.2**	**357.7**	**-31.4**

Source: CNMV.

Gross issues by the Public Authorities

I.11

Nominal amount in million euro

	Amount				% year-on-year change		
	2008	2009	2010	2011	09/08	10/09	11/10
Central Government	**115,181**	**228,341**	**209,808**	**218,245**	**98,2**	**-7.7**	**4.0**
Short term	52,657	109,999	114,660	101,843	108,9	4.2	-11.2
Long term	62,523	118,342	95,147	116,402	89,3	-18.8	22.3
Autonomous Regions	**9,087**	**19,887**	**25,249**	**29,071**	**115,9**	**57.5**	**15.1**
Short term	5,054	7,109	6,671	16,359	40,7	20.2	145.2
Long term	4,033	12,778	18,578	12,712	210,3	78.7	-31.6
Local government	**208**	**51**	**0**	**0**	**-75,3**	**–**	**–**
Short term	–	–	–	–	–	–	–
Long term	208	51	0	0	-75,3	–	–
Total	**124,475**	**248,280**	**235,056**	**247,316**	**99,2**	**-2.5**	**5.2**

Source: Bank of Spain and CNMV.

Net issues by the Public Authorities

I.12

Nominal amount in million euro

	Amount				% year-on-year change		
	2008	2009	2010	2011	09/08	10/09	11/10
Central Government	**50,208**	**119,397**	**63,228**	**69,927**	**137.8**	**-47.0**	**10.6**
Short term	19,630	33,439	4,244	851	70.3	-87.3	-79.9
Long term	30,578	85,958	58,985	69,076	181.1	-31.4	17.1
Autonomous Regions	**1,386**	**8,760**	**13,437**	**8,183**	**532.0**	**53.4**	**-39.1**
Short term	430	-168	85	5,416	–	–	6.303,1
Long term	956	8,928	13,352	2,767	833.4	49.6	-79.3
Local government	**-14**	**-139**	**-114**	**-421**	**-878.3**	**18.1**	**-269.8**
Short term	0	0	0	0	–	–	–
Long term	-14	-139	-114	-421	-878.3	18.1	-269,8
Total	**51,580**	**128,017**	**76,551**	**77,689**	**148.2**	**-40.2**	**1.5**

Source: Bank of Spain and CNMV.

Public debt trading between account holders. Outright transactions, repos and sell-buybacks/buy-sellbacks

I.13

Nominal amount in million euro

	Amount						% year-on-year change	
	2006	2007	2008	2009	2010	2011	10/09	11/10
Treasury Bills	**480,711**	**339,956**	**534,919**	**862,448**	**1,362,121**	**1,653,979**	**57.9**	**21.4**
Outright	64,164	35,894	63,959	83,501	88,263	142,224	5.7	61.1
Spot	63,694	35,868	63,915	81,441	88,218	138,748	8.3	57.3
Maturity	470	27	44	2,060	45	3,476	-97.8	7623.8
Repos	0	0	0	0	0	0	–	–
Sell-buybacks/Buy-sellbacks	416,547	304,062	470,959	778,947	1,273,857	1,511,755	63.5	18.7
Bonds and Debentures	**7,062,437**	**7,142,097**	**6,459,838**	**6,519,727**	**7,069,772**	**7,509,742**	**8.4**	**6.2**
Outright	447,211	418,761	362,239	557,039	885,168	824,920	58.9	-6.8
Spot	444,083	417,749	359,638	551,874	875,696	812,084	58.7	-7.3
Maturity	3,128	1,012	2,602	5,165	9,472	12,836	83.4	35.5
Repos	96	0	0	0	0	0	–	–
Sell-buybacks/Buy-sellbacks	6,615,129	6,723,337	6,097,598	5,962,688	6,184,603	6,684,822	3.7	8.1
Total	**7,543,148**	**7,482,053**	**6,994,757**	**7,382,175**	**8,431,893**	**9,163,721**	**14.2**	**8.7**

Source: Bank of Spain and CNMV.

Public debt trading by account holders and third parties. Outright transactions, repos and sell/buybacks and buy/sellbacks

I.14

Nominal amount in million euro

	Amount						% year-on-year change	
	2006	2007	2008	2009	2010	2011	10/09	11/10
Treasury Bills	**1,214,841**	**1,254,600**	**1,687,359**	**2,229,395**	**1,957,579**	**2,038,215**	**-12.2**	**4.1**
Outright	29,168	22,030	51,352	119,088	342,277	758,584	187.4	121.6
Spot	29,137	21,496	50,695	116,061	332,073	738,061	186.1	122.3
Maturity	31	534	657	3,027	10,204	20,523	237.1	101.1
Repos	1,185,339	1,230,166	1,635,437	2,107,507	1,594,756	1,213,816	-24.3	-23.9
Sell-buybacks/Buy-sellbacks	334	2,404	570	2,800	20,546	65,815	633.7	220.3
Bonds and Debentures	**13,857,369**	**13,927,674**	**11,262,380**	**8,910,888**	**8,162,698**	**9,086,739**	**-8.4**	**11.3**
Outright	2,690,033	2,994,352	1,989,753	1,860,227	3,475,261	5,434,659	86.8	56.4
Spot	2,366,230	2,702,273	1,727,881	1,720,908	3,339,033	5,268,242	94.0	57.8
Maturity	323,803	292,079	261,872	139,320	136,228	166,417	-2.2	22.2
Repos	9,850,322	9,741,672	8,474,523	6,537,836	4,181,103	2,993,210	-36.0	-28.4
Sell-buybacks/Buy-sellbacks	1,317,014	1,191,650	798,104	512,825	506,333	658,870	-1.3	30.1
Total	**15,072,210**	**15,182,274**	**12,949,739**	**11,140,284**	**10,120,277**	**11,124,954**	**-9.2**	**9.9**

Source: Bank of Spain and CNMV.

Number of issuers and issues filed with the CNMV: breakdown by instrument

I.15

	Number of issuers[1]		Number of issues	
	2010	2011	2010	2011
Long term	**85**	**78**	**290**	**300**
Non-convertible bonds and debentures	39	23	154	87
of which, subordinated debt	5	5	8	9
Convertible bonds and debentures	2	5	3	9
Mortgage covered bonds	25	30	88	115
Territorial covered bonds	6	7	9	42
Securitisation bonds	36	36	36	45
asset-backed (ABS)	36	35	36	44
mortgage-backed (MBS)	0	1	0	1
Preference shares	0	1	0	2
Other	0	0	0	0
Short term[2]	**58**	**49**	**59**	**53**
Commercial paper	58	49	59	53
of which, asset-backed	2	2	2	2
Total	**115**	**103**	**349**	**353**

Source: CNMV. (1) In the case of the issuers, the totals do not necessarily coincide with the sum, given that the same issuer may issue various types of instruments. (2) Shelf registrations.

Main fixed-income issuers[1] registered with the CNMV in 2011

I.16

Nominal amount in million euro

	Nominal amount issued		
Name of issuing company	**Total**	**Short term[2]**	**Long term**
Banco Bilbao Vizcaya Argentaria, S.A.	28,892	0	28,892
Caixabank, S.A.	20,022	6,000	14,022
Banco Santander, S.A.	15,850	7,500	8,350
Bankinter, S.A.	13,427	7,000	6,427
BBVA Banco de Financiación, S.A.	10,000	10,000	0
Santander Consumer Finance, S.A.	10,000	10,000	0
Fondo de Titulización del déficit del sistema eléctrico, FTA	9,906	0	9,906
Banco Popular Español, S.A.	9,050	4,000	5,050
Caja de Ahorros y Pensiones de Barcelona	8,881	0	8,881
Banco de Sabadell, S.A.	8,617	5,000	3,617
Bankia, S.A.	8,000	5,000	3,000
Fondo de Titulización de Activos Santander Empresas 8, FTA	7,740	0	7,740
Caja de Ahorros y Monte de Piedad de Madrid	6,515	0	6,515
Banesto Banco de Emisiones, S.A.	6,500	6,500	0
Fondo de Titulización de Activos Santander Empresas 9, FTA	6,420	0	6,420
Fondo de Titulización de Activos Santander 2, FTA	6,000	6,000	0
Fondo de Titulización de Activos Santander Empresas 10, FTA	5,640	0	5,640
Bankinter Sociedad de Financiación, S.A.	5,000	5,000	0
Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja	5,000	0	5,000
Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad	4,919	1,000	3,919
Caja de Ahorros del Mediterráneo	4,000	0	4,000
Liberbank, S.A.	4,000	4,000	0

Source: CNMV. (1) Issuers that registered issues exceeding 4 billion euros in 2010. (2) Shelf registrations.

Main fixed-income issuers[1] registered with the CNMV in 2011. Breakdown by instrument

I.17

Million euro

Type of asset[2]	Issuer	Amount
Simple bonds and debentures	Caixabank, S.A.	6,603
	Caja de Ahorros y Pensiones de Barcelona	3,357
	Banco de Sabadell, S.A.	1,917
Non-convertible bonds and debentures	Banco Bilbao Vizcaya Argentaria, S.A.	3,475
	Caixabank, S.A.	2,969
Mortgage covered bonds	Banco Bilbao Vizcaya Argentaria, S.A.	13,083
	Bankinter, S.A.	5,630
	Banco Santander, S.A.	5,350
	Caja de Ahorros y Pensiones de Barcelona	5,324
	Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja	5,000
	Caja de Ahorros y Monte de Piedad de Madrid	4,825
	Banco Popular Español, S.A.	4,650
	Caja de Ahorros del Mediterráneo	4,000
	Bankia, S.A.	3,000
	Banco Español de Crédito, S.A.	2,595
	Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad	2,550
	Banco de Sabadell, S.A.	1,700
	Cajamar Caja Rural, Sociedad Cooperativa de Crédito	1,500
Territorial bonds	Banco Bilbao Vizcaya Argentaria, S.A.	12,234
	Caixabank, S.A.	4,000
	Banco Santander, S.A.	3,000
	Dexia Sabadell, S.A.	2,000
Commercial paper[2]	BBVA Banco de Financiación, S.A.	10,000
	Santander Consumer Finance, S.A.	10,000
	Banco Santander, S.A.	7,500
	Bankinter, S.A.	7,000
	Banesto Banco de Emisiones, S.A.	6,500
	Caixabank, S.A.	6,000
	Banco de Sabadell, S.A.	5,000
	Bankinter Sociedad de Financiación, S.A.	5,000
	Bankia, S.A.	5,000
	Banco Popular Español, S.A.	4,000
	Liberbank, S.A.	4,000
	BBK Empréstitos, S.A.U.	3,000
	Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén, Unicaja	2,750
	Caja de Ahorros de Murcia	2,500
	Banco Mare Nostrum, S.A.	2,500
	Catalunya Banc, S.A.	2,100
	Banca Civica, S.A.	2,000
	NCG Banco, S.A.	2,000
	Banco Pastor, S.A.	1,500
	Caja de Ahorros y Monte de Piedad de Gipuzkoa y San Sebastián	1,500
	Iberdrola Financiación, S.A.	1,500
ABCP[2]	Fondo de Titulización de Activos, Santander 2	6,000

Source: CNMV. (1) Issuers which issued more than 1.5 billion euros in 2011 in the corresponding financial instrument. (2) Amount of shelf registrations.

Commercial paper issuers: largest outstanding balances[1] at 31 December 2011 I.18

Million euro

Issuer	Amount	% of total	% accum.
Banco Santander, S.A.	5,728	14.1	14.1
BBVA Banco de Financiación, S.A.	5,340	13.2	27.3
Banesto Banco de Emisiones, S.A.	3,985	9.8	37.1
Caixabank, S.A.	3,313	8.2	45.2
Banco Popular Español, S.A.	3,027	7.5	52.7
Bankinter, S.A.	2,776	6.8	59.5
Bankia, S.A.	2,415	6.0	65.5
Banco de Sabadell	2,105	5.2	70.7
BBK Empréstitos, S.A.U.	1,668	4.1	74.7
Fondo de Titulización de Activos Santander II	1,563	3.9	78.6
Bankinter Sociedad de Financiación, S.A.	1,500	3.7	82.3
Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad	1,000	2.5	84.8
Banca Cívica, S.A.	859	2.1	86.9
Santander Consumer Finance, S.A.	798	2.0	88.8
Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén, Unicaja	596	1.5	90.3
Banco Pastor, S.A.	554	1.4	91.7
Banca March, S.A.	502	1.2	92.9

Source: CNMV. (1) Issuers with an outstanding balance greater than 500 million euros.

Main securitisation bond issuers[1] in 2011 I.19

Million euro

Issuer	Amount	Assets securitised
Fondo de titulización del déficit del sistema eléctrico	9,906	Others
Santander Empresas 8	7,740	Corporate loans
Santander Empresas 9	6,420	Corporate loans
Santander Empresas 10	5,640	Corporate loans
Foncaixa Consumo 1	3,080	Consumer loans
IM Grupo Banco Popular Empresas 4	2,500	Corporate loans
Cédulas Grupo Banco Popular 5	2,350	Mortgage covered bonds
Santander Hipotecario 7	2,160	Mortgage loans
FTH Banesto 5	2,100	Mortgage loans
BBVA RMBS 10	1,600	Mortgage loans
MBSCAT 3	1,535	Mortgage loans
IM Grupo Banco Popular Leasing 2	1,500	Financial lease
AYT Novacaixagalica Hipotecario I	1,500	Mortgage loans
IM FTPYME Sabadell 9	1,500	Asset-backed Securitization Fund Programme for SMEs (FTPYME)

Source: CNMV. (1) Issuers with CNMV-registered issues of more than 1.5 billion euros in 2011.

Securitisation bonds, by type of asset securitised

I.20

Nominal amount in million euro

	2006	2007	2008	2009	2010	2011
Mortgage-backed securities (FTH)	**4,300**	**4,740**	**800**	**817**	**0**	**2,100**
Asset-backed securities (FTA)	**87,308**	**136,887**	**134,453**	**80,835**	**63,262**	**66,313**
Mortgage-backed FTA	**60,333**	**84,205**	**98,015**	**39,784**	**36,035**	**13,699**
Mortgage loans	34,663	57,550	63,615	24,706	18,425	11,349
Mortgage covered bonds	25,670	26,655	34,400	15,078	17,610	2,350
Real estate developer loans	0	0	0	0	0	0
FTA companies	**18,331**	**32,730**	**27,279**	**31,886**	**10,298**	**35,678**
SMEs[1]	2,979	2,485	1,350	1,010	990	0
FTPYME[1]	7,956	6,474	7,276	0	3,210	3,689
FTGENCAT[1]	1,860	2,020	3,391	1,356	0	0
Loans to companies[2]	5,536	19,250	10,500	25,762	5,350	28,294
Corporate loans[3]	0	0	1,682	2,158	748	775
Financial leases	0	2,500	3,080	1,600	0	2,920
FTA others	**8,643**	**19,953**	**9,159**	**9,165**	**16,929**	**16,937**
Subordinated debt	298	0	0	0	0	0
Treasury bonds	1,450	0	765	2,559	0	0
Government loans	0	0	0	0	0	0
Territorial covered bonds	0	0	450	965	0	0
Consumer loans	5,527	3,592	6,459	3,725	1,375	4,359
Auto loans	1,360	2,840	1,485	1,916	689	1,541
Accounts receivable	0	0	0	0	0	0
Rights to future loans	0	0	0	0	0	0
Asset-backed bonds	0	0	0	0	0	0
Other loans	8	13,521	0	0	14,865	11,036
Total asset-backed bonds	**91,608**	**141,627**	**135,253**	**81,651**	**63,262**	**68,413**
Total asset-backed commercial paper[4]	**1,993**	**465**	**2,843**	**4,758**	**5,057**	**2,366**
Total bonds and commercial paper	**93,600**	**142,092**	**138,096**	**86,410**	**68,319**	**70,779**
Pro memoria						
Mortgage subtotal	64,633	88,945	98,815	40,601	36,035	15,799

Source: CNMV. (1) Includes funds whose pools include almost all loans to SMEs. (2) Includes funds whose pools include loans to any type of business: self-employed, micro-enterprises, SMEs, and larger companies. (3) Includes funds whose pools are comprised only of loans to large companies. (4) Gross issues of asset-backed commercial paper programmes registered by the FTAs.

Proprietary trading on AIAF

I.21

Nominal amount in million euro

	2006	2007	2008	2009	2010	2011	% Chg. 11/10
Commercial paper	41,916	41,243	84,841	129,828	98,683	49,657	-49.7
Bonds and debentures	155,960	231,942	1,606,100	3,635,802	3,519,895	5,757,839	63.6
of which, asset-backed securities	130,624	205,044	1,570,686	3,426,089	2,702,632	5,376,316	98.9
Mortgage covered bonds	7,071	14,572	84,033	210,273	205,835	576,230	180.0
Territorial covered bonds	23	1,050	1,413	767	4,809	516,905	10,647.7
Matador bonds	2,915	1,363	0	16	0	12	–
Total	**207,885**	**290,169**	**1,776,388**	**3,976,687**	**3,829,222**	**6,900,642**	**80.2**

Source: CNMV.

Numbers, investors, assets and breakdown of variation in assets of securities and real estate mutual funds[1]

II.1

Million euro

					Assets					Pro memoria:
	No. of funds		No. of investors		Amount	Total Change (%)	Change in assets due to subscriptions and net yield[2]			Distribution net subscriptions
Categoría	2011	Change	2011	Change	2011	Change	Amount	Net subscrip	Net yield	FI (%)
Fixed income[3]	508	-29	1,383,812	-238,852	46,946	-17.1	-9,678	-10,423	745	-95.6
Mixed fixed income[4]	140	-20	206,938	-63,403	5,254	-28.2	-2,065	-1,980	-85	-18.2
Mixed equity[5]	128	-10	145,150	-26,186	2,906	-16.3	-565	-376	-189	-3.4
Euro equity[6]	148	-24	237,815	-28,580	4,829	-9.9	-525	142	-667	1.3
Foreign equity[7]	220	-12	448,539	-52,599	6,281	-21.9	-17.43	-796	-947	-7.3
Guaranteed fixed-income	351	75	1,042,658	252,577	35,038	33.9	8,879	7,809	1,070	71.6
Guaranteed equity[8]	420	-79	912,298	-153,128	18,014	-18.3	-4,032	-4,054	22	-37.2
Global funds	203	11	127,336	21,616	5,105	15	664	972	-308	8.9
Passive management[9]	59	-2	100,416	10,073	1,986	5.7	-103	61	-164	0.6
Absolute return[9]	133	-8	229,099	-48,346	5,990	-28.2	-2,358	-2,208	-150	-20.2
Total mutual funds	**2,310**	**-98**	**4,834,061**	**-326,828**	**132,369**	**-8**	**-11,526**	**-10,853**	**-673**	**-99.5**
FIICIL (Funds of hedge funds)	26	-5	3,689	-597	378	-24.6	-123	-110	-13	-1
Hedge funds	32	1	1,902	71	659	4.8	30	55	-25	0.5
Total securities funds	**2,368**	**-102**	**4,839,652**	**-327,354**	**133,406**	**-8**	**-11,619**	**-10,908**	**-711**	**-100**
Real estate funds	**6**	**-1**	**29,735**	**-45,545**	**4,495**	**-26.5**	**1,621**	**-1,450**	**-171**	–
Foreign UCITS[10]	**739**	**79**	**761,380**	**-104,387**	**29,970**	**-18.3**	–	–	–	–

Source: CNMV. (1) Funds which have sent reserved statements (therefore does not include funds in process of dissolution or liquidation). (2) For each category, the variation in assets is due to net subscriptions, net yields on assets and the net asset balance resulting from changes in investment policy. (3) Until 1Q09 includes: Short-term fixed income, Long-term fixed income, Foreign fixed income and Monetary fixed income. From 2Q09 includes: Euro fixed income, Foreign fixed income and Monetary fixed income. (4) Until 1Q09 includes: Mixed fixed income and Foreign mixed fixed income. From 2Q09 includes: Euro mixed fixed income and Foreign mixed fixed income. (5) Until 1Q09 includes: Mixed equity and Foreign mixed equity. From 2Q09 includes: Euro mixed equity and Foreign mixed equity. (6) Until 1Q09 includes: Spanish equity and Euro equity. From 2Q09 includes Euro equity (that now includes RVN). (7) Until 1Q09 includes: RVI Europe, RVI Japan, RVI USA, RVI Emerging Countries and RVI Others. From 2Q09: RVI. (8) Until 1Q09: GRV. From 2Q09: GRV and Partial Guarantee. (9) New categories from 2Q09. All absolute return funds were previously classified in Global Funds. (10) The row on foreign UCITS includes both companies and funds. The asset data for foreign UCITS refer to the volume of investment, i.e. the product of the number of shares and units marketed in Spain and their year-end value.

Fund portfolio as a percentage of the outstanding balance of Spanish securities II.2

%

	2007	2008	2009	2010	2011
Listed equities[1]	**3.8**	**2.8**	**2.4**	**2.2**	**2.2**
Private sector fixed income[2]	**8.1**	**4.8**	**4.1**	**3.4**	**3.2**
Short term	38.1	28.4	31.3	16.0	6.6
Long term	3.6	2.5	2.8	3.0	3.1
Public sector fixed income	**3.3**	**3.6**	**3.9**	**4.4**	**5.3**
Short term[2]	6.6	14.5	7.8	7.5	6.6
Long term	2.9	1.9	3.1	3.8	4.9

Source: CNMV and Bank of Spain. (1) Realisation value. The outstanding balance figures are the capitalisation of domestic securities in the electronic market, open outcry market and MAB. (2) Does not include temporary asset acquisitions.

Expenses charged to financial mutual funds II.3

% of average daily assets

	Management fees			Depository fees[1]		
	2009[2]	2010	2011	2009[2]	2010	2011
Total investment funds	**0.87**	**0.91**	**0.93**	**0.09**	**0.09**	**0.09**
Fixed income	0.63	0.65	0.64	0.08	0.08	0.08
Mixed fixed income	1.14	1.20	1.16	0.09	0.10	0.10
Mixed equity	1.58	1.65	1.59	0.10	0.12	0.12
Euro equity	1.75	1.78	1.79	0.10	0.11	0.11
Foreign equity	1.79	1.84	1.77	0.12	0.12	0.12
Guaranteed fixed-income	0.65	0.62	0.73	0.08	0.07	0.07
Guaranteed equity	1.26	1.24	1.23	0.11	0.10	0.09
Global funds	1.08	1.06	1.10	0.08	0.09	0.09
Passive management	–	0.72	0.74	–	0.07	0.07
Absolute return	–	1.06	1.09	–	0.08	0.08
FIICIL (Funds of hedge funds)	**1.34**	**1.37**	**1.46**	**0.10**	**0.13**	**0.08**
Hedge funds[3]	**2.45**	**2.13**	**1.77**	**0.10**	**0.13**	**0.06**

Source: CNMV. (1) In hedge funds, financing fees. (2) Does not include the fees of global funds and passive management funds as these profiles were introduced with Circular 1/2009, as from the second quarter of 2009. However, the information is used for the calculation of total fees of investment funds. (3) The fees shown are a percentage of the average monthly assets.

Yields and net subscriptions of mutual funds[1]

II.4

Yield (%) and net subscriptions (million euro)

	2007		2008		2009		2010		2011	
	Yield	Net subs.	Yield	Net subs.	Yield	Net subs.	Yield	Net subs.	Yield	Net subs.
Fixed income[2]	2.7	-5,852	2.1	-22,333	1.9	-7,479	0.1	-27,150	1.56	-10,428
Mixed fixed income[3]	2.0	-1,942	-7.1	-6,222	6.9	2,543	-0.5	-1,417	-1.34	-1,925
Mixed equity[4]	2.8	-1,277	-22.2	-3,325	16.5	-461	-1.0	-90	-5.64	-320
Euro equity[5]	6.1	-5,071	-39.8	-5,759	32.4	-274	-2.9	-697	-11.71	152
Foreign equity[6]	1.3	-586	-41.7	-5,348	37.3	764	14.2	1,152	-10.83	-818
Guaranteed fixed-income	2.8	2,715	3.3	2,438	3.8	-3,249	-0.7	4,716	3.28	7,228
Guaranteed equity[7]	2.5	-3,605	-2.6	-11,672	3.6	-5,402	-1.8	-2,500	0.14	-3,061
Global funds	1.6	-6,259	-8.6	-15,181	10.9	206	3.2	324	-4.64	945
Passive management[8]	–	–	–	–	–	-173	-2.4	-790	-7.33	-274
Absolute return[8]	–	–	–	–	–	822	1.5	872	-1.87	-2,337
Total securities funds	**2.7**	**-21,878**	**-4.2**	**-67,402**	**5.7**	**-12,702**	**0.4**	**-25,615**	**-0.08**	**-10,838**
Funds of hedge funds	-1.0	1.006	-15.4	351	7.4	-401	1.5	-87	-3.0	-110
Hedge funds	2.2	378	-5.4	131	15.1	46	5.8	-42	-2.7	55
Total funds	**2.7**	**20,494**	**-4.3**	**-66,921**	**5.8**	**-13,057**	**0.4**	**-25,744**	**-0.1**	**-10,908**
FIAMM (money market)	**2.1**	**-54629**	–	–	–	–	–	–	–	–
Real Estate Funds	**6.0**	**1,673**	**1.6**	**-1,267**	**-8.3**	**-321**	**-4.7**	**-35**	**-3.23**	**-1,450**
Pro memoria: amount commercialised by Spanish firms and Spanish-resident foreign firms										
Foreign UCITS	–	6,435	–	-10,016	–	3,291	–	9,082	–	-7,897

Source: CNMV. (1) Funds which have sent reserved statements (therefore does not include funds in process of dissolution or liquidation). (2) Until 1Q09 includes: Short-term fixed income, Long-term fixed income, Foreign fixed income and Monetary fixed income. From 2Q09 includes: Euro fixed income, Foreign fixed income and Monetary fixed income. (3) Until 1Q09 includes: Mixed fixed income and Foreign mixed fixed income. From 2Q09 includes: Euro mixed fixed income and Foreign mixed fixed income. (4) Until 1Q09 includes: Mixed equity and Foreign mixed equity. From 2Q09 includes: Euro mixed equity and Foreign mixed equity. (5) Until 1Q09 includes: Spanish equity and Euro equity. From 2Q09 includes Euro equity (that now includes Spanish equity). (6) Until 1Q09 includes: RVI Europe, RVI Japan, RVI USA, RVI Emerging Countries and RVI Others. From 2Q09: RVI. (7) Until 1Q09: GRV. From 2Q09: GRV and Partial Guarantee. (8) New categories from 2Q09. All absolute return funds were previously classified in Global Funds.

Foreign UCITS commercialised in Spain

II.5

	2010	2011	Change (%)
Number of institutions	**660**	**739**	**11.2**
Number of investors	**865,767**	**426**	**12.4**
Volume of investment (million euro)	**36,693**	**29,969**	**-25.2**
Distribution per country of origin:			
Germany	20	20	0.0
Austria	27	25	-7.4
Belgium	5	5	0.0
France	225	284	26.2
Netherlands	1	1	0.0
Ireland	75	87	16.0
Luxembourg	290	297	2.4
Malta	1	1	0.0
UK	16	19	18.8

Source: CNMV.

UCITS operators (SGIIC): registrations and deregistrations in 2011

II.6

UCITS operators	Controlling group
Registrations	
Norfin Inversiones Inmobiliarias, S.A., SGIIC	Norfin Investimentos, S.G.P.S., S.A.
Deregistrations	
Cajamar Gestión SGIIC, S.A.	Caja Rural Intermediterránea, Sociedad Cooperativa de Crédito
Caixa Tarragona Gestió, S.A., SGIIC	Caixa d'Estalvis de Catalunya, Tarragona i Manresa
Caixa Manresa Inversió, S.A., SGIIC	Caixa de'Estavis de Catalunya, Tarragona i Manresa
M&B Capital Advisers Gestión, SGIIC, S.A.	Grupo M&B
Caixa Girona Gestió, S.A.U., SGIIC	La Caixa
Gespastor, S.A., SGIIC	Banco Espirito Santo
Altamar Gestión Alternativa, SGIIC, S.A.	Independent
Goldman Sachs Gestión, SGIIC, S.A.	Goldman Sachs
Crédit Agricole Mercagestión, S.A., SGIIC	Caisse Régionale de Crédit Agricole Mutuel Pyrénées Gascogne
Gesduero, SGIIC, S.A.	Banco de Caja España de Inversiones, Salamanca y Soria

Source: CNMV.

Foreign investment firms with community passport: home Member State[1]

II.7

	2010	2011
No. of firms operating in Spain		
Free provision of services	2,145	2,341
Branches	39	36
Breakdown according to origin		
Free provision of services		
Austria	25	24
Belgium	9	8
Bulgaria	2	5
Cyprus	32	51
Czech Republic	1	1
Denmark	14	17
Estonia	1	1
Germany	41	49
Finland	5	6
France	43	46
Gibraltar	2	1
Greece	8	8
Hungary	2	2
Ireland	48	46
Italy	6	6
Latvia	0	1
Liechtenstein	5	7
Luxembourg	18	20
Malta	6	8
Netherlands	72	76
Norway	25	27
Portugal	8	9
Slovenia	1	1
Sweden	9	9
UK	1.762	1.912
Branches		
Bulgaria	1	0
France	4	3
Germany	2	3
Luxembourg	1	1
Netherlands	2	2
Norway	0	1
Poland	1	1
Portugal	1	1
UK	27	24

Source: CNMV. (1) Countries stated in the notifications of investment firms from EU Member States and in authorisations of investment firms from non-EU countries.

Registrations and deregistrations of broker-dealers, brokers, financial consultancy firms and foreign investment firms with branches

II.8

Firm	Controlling group
Broker-dealers and brokers	
Registrations	
Nmas 1 Equities, S.V., S.A.	Independent
Attitude Asesores, A.V., S.A.	Independent
Deregistrations	
Delforca 2008 S.V., S.A.	Independent
Allianz Inversiones, S.V., S.A.	Allianz AG
SGAM Ibérica, A.V., S.A.	Amundi
Financial consultancy firms	
Registrations	
JM Investment Kapital Partners EAFI, S.L.	Independent
Serfiex Investment, EAFI, S.L.	Independent
Javier Mateo Palomero, EAFI	Independent (natural person)
Gestione de Finanzas EAFI, S.L.	Independent
Ágora Asesores Financieros, EAFI, S.L.	Independent
Skipper Capital Advisors, EAFI, S.L.	Independent
José García Fernández, EAFI	Independent (natural person)
Sotogrande Financial Adviser EAFI, S.L.	Independent
Lex Centro de Asesores Técnico Financieros, EAFI, S.A.	Independent
Jesús Arlaban Gabeiras, EAFI	Independent (natural person)
DRDA Iberia EAFI, S.L.	Independent
Active Compass EAFI, S.L.	Independent
Francisco Javier Concepción Perera	Independent (natural person)
ECOMT EAFI, S.L.	Independent
Jordi Pumarola Batllé, EAFI	Independent (natural person)
Jaime Borrás Martínez, EAFI	Independent (natural person)
Juan Carlos Costa Tejedor, EAFI	Independent (natural person)
Argenta Patrimonios, EAFI, S.L.	Independent
Getino Finanzas, EAFI, S.L.	Independent
DSTM, S.L., EAFI	Independent
Mutuavalors dels Enginyers, EAFI, S.L.	Independent
C&R Investment Financial Advisor, EAFI, S.L.	Independent
Ramón Diaz Zarate, EAFI	Independent (natural person)
Juan Vicente Santos Bonet	Independent (natural person)
Santiago Charro del Castillo, EAFI	Independent (natural person)
Miura Asesoras EAFI, S.L.	Independent
JVC Vicandi EAFI, S.L.U.	Independent
Ana Rafels Drago, EAFI	Independent (natural person)
Lourido Partners EAFI, S.L.	Independent
Audaris Partners, EAFI, S.L.	Independent
Essentia Consultores EAFI S.L.	Independent

Registrations and deregistrations of broker-dealers, brokers, financial consultancy firms and foreign investment firms with branches *(continuation)*

II.8

Firm	Controlling group
Deregistrations	
José Carlos López Moraleja, EAFI	Independent (natural person)
Foreign investment firms with branch	
Registrations	
Icap Energy AS, Sucursal en España	ICAP Plc
Worldspreads Limited, Sucursal en España	WorldSpreads Limited
Stifel Nicolaus Europe Limited, Sucursal en España	Stifel Nicolaus
EFG Financial Products (Europe) GmbH, Sucursal en España	EFG Financial Products, Ltd.
Tullet Prebon (Europe) Limited, Sucursal en España	Tullet Prebon
Deregistrations	
Novus Capital Markets Limited, Sucursal en España	Novus Capital Markets
J.P. Morgan Securities Limited, Sucursal en España	J.P. Morgan
Invesco Asset Management, S.A., Sucursal en España	Invesco Ltd
Rubicon Fund Management LLP, Sucursal en España	Rubicon Fund Management, LLP
Evolution Securities Limited, Sucursal en España	Investec PLC
Crédit Suisse Asset Management Limited, Sucursal en España	Crédit Suisse
Deltastock AD, Sucursal en España	Deltastock AD
Stifel Nicolaus Limited, Sucursal en España	Stifel Nicolaus

Source: CNMV.

Changes of control at broker-dealers and brokers. 2011

II.9

Firm	Buyer
Acquisition of control by Spanish financial institutions	
Arcalia Patrimonios, S.V., S.A.	Bankia
CAI Bolsa, S.V., S.A.	Banco Grupo Cajatres
Fineco S.V., S.A.	Kutxabank
Caja Madrid Bolsa, S.V., S.A.	Bankia
Norbolsa, S.V., S.A.	Kutxabank
Acquisition of control by foreign financial institutions	
BSI Spain Wealth Management, A.V., S.A.	Lazard
Interdin Bolsa, S.V., S.A.	Banca Privada D'Andorra
Mirabaud Finanzas, S.V., S.A.	Mirabaud

Fuente: CNMV.

Spanish investment firms with community passport at year-end: host Member State[1]

II.10

	2010	2011
Number of firms with cross-border transactions		
Free provision of services	37	43
Branches	3	6
Breakdown of Spanish investment firms providing cross-border services[2]		
Free provision of services		
Austria	8	10
Belgium	15	16
Bulgaria	2	2
Cyprus	1	1
Czech Republic	2	2
Denmark	8	8
Estonia	1	1
Finland	7	7
France	20	22
Germany	22	23
Greece	9	9
Hungary	2	2
Iceland	3	3
Ireland	12	14
Italy	16	18
Latvia	1	1
Liechtenstein	1	1
Lithuania	1	1
Luxembourg	15	20
Malta	3	3
Netherlands	16	18
Norway	3	4
Poland	2	3
Portugal	24	28
Romania	2	3
Slovak Republic	2	2
Slovenia	1	1
Sweden	9	10
UK	22	25
Branches		
France	0	1
Italy	1	2
Sweden	1	1
UK	1	2

Source: CNMV. (1) Countries stated in the notifications relating to free provision of services and in authorisations of branches. (2) Number of Spanish investment firms providing services in other countries. A single firm may provide services in more than one country.

Foreign credit institutions authorised to provide investment services in Spain at year-end: home Member State

II.11

	2010	2011
Number of non-EU credit institutions providing investment services in Spain		
EU credit institutions		
Free provision of services	364	374
Subsidiaries of EU credit institutions under the free provision of services regime	1	0
Branches	53	55
Non-EU credit institutions		
Free provision of services	2	1
Branches	8	7

Breakdown by home state		
Free provision of services	**366**	**375**
EU credit institutions	**364**	**374**
Austria	30	28
Belgium	9	10
Cyprus	2	3
Denmark	9	9
Finland	6	6
France	47	50
Germany	41	44
Greece	1	1
Hungary	5	5
Iceland	1	1
Ireland	30	30
Italy	8	8
Liechtenstein	3	4
Luxembourg	47	43
Malta	6	6
Netherlands	26	28
Norway	3	3
Portugal	10	12
Sweden	5	5
UK	75	78
Non-EU credit institutions	**2**	**1**
Switzerland	2	1
Subsidiaries of EU credit institutions under the free provision of services regime	**1**	**0**
Ireland	1	0
Branches	**61**	**62**
EU credit institutions	**53**	**55**
Austria	0	1
Denmark	3	2
France	1	1
Germany	6	7
Ireland	4	5
Italy	2	1
Luxembourg	5	6
Netherlands	11	12
Portugal	8	8
Sweden	1	0
UK	9	10
Non-EU credit institutions	**8**	**7**
Argentina	1	1
Brazil	1	1
Japan	1	1
Switzerland	1	1
United States	4	3

Source: Bank of Spain.

Statistical annexes III: regulation and supervision

Number of shareholders of Ibex 35 companies[1] with significant shareholdings

III.1

Entities	Shareholdings				
	3%-5%	5%-10%	10%-25%	25%-50%	50%-100%
Abengoa	–	–	–	–	1
Abertis	–	1	–	2	–
Acciona	2	–	1	1	–
Acerinox	4	1	3	–	–
ACS	–	2	3	–	–
Arcelor Mittal	–	1	–	–	–
BBVA	2	1	–	–	–
Banco Sabadell	–	4	–	–	–
Bankia	1	–	–	–	1
Amadeus	1	3	1	–	1
Banco Popular	1	3	1	–	–
Banco Santander	1	–	–	–	–
Bankinter	–	1	2	–	–
BME	1	3	–	–	–
Caixabank	–	–	–	–	1
DÍA	1	1	–	–	1
Ebro Foods	1	2	2	–	–
Enagás	3	6	–	–	–
Endesa	–	–	–	–	1
Ferrovial	1	1	1	–	–
FCC	1	–	–	–	1
Gamesa	1	–	1	–	–
Gas Natural	1	–	–	–	1[2]
Mediaset	1	–	1	1	–
Grifols	–	4	1	–	–
Iberdrola	–	3	1	–	–
IAG	2	1	1	–	–
Indra	–	5	1	–	–
Inditex	–	1	–	–	1
Mapfre	–	–	1	–	1
OHL	1	1	–	–	1
REE	4	–	1	–	–
Repsol YPF	1	–	1	1[3]	–
Sacyr Vallehermoso	–	5	4	–	–
Técnicas Reunidas	1	–	–	1	–
Telefónica	1	2	–	–	–
Total	33	52	27	6	11

Source: CNMV. (1) Composition of Ibex 35 at the close of the financial year. (2) Agreed action between La Caixa and Repsol (3) Agreed action between Sacyr and Pemex.

Outcome of disciplinary proceedings in 2011

Reference	Resolutions
(1/11)	**Ministerial Order of 31 January 2011**
	Resolution of the disciplinary proceedings brought against a company, in its capacity as a director of a corporate issuer, and against a natural person, who was both director of a corporate issuer and significant shareholder of another, for the alleged commission of a very serious breach - in the case of the company - and two very serious breaches - in the case of the natural person - of Article 99 p) of the Securities Market Act - failure to comply with the regime on significant holdings in corporate issuers. A fine of 12,000 euros was imposed for each one of the breaches.
(2/11)	**Ministerial Order of 7 February 2011**
	Resolution, in relation to the serious breach of Article 99 l) of the Securities Market Act - for insufficient technical and human resources - of the disciplinary proceedings brought against an investment services firm and its chairperson and Chief Executive Officer. The investment services firm was fined 30,000 euros and its chairperson was fined 15,000 euros.
(3/11)	**Resolution of the Board of the CNMV of 23 February 2011**
	Resolution of the disciplinary proceedings brought against two natural persons for an alleged very serious breach, by one of them, of Article 99 o) of the Securities Market Act (disclosure of inside information) and one alleged serious breach, by the other, of Article 100 x) of the Securities Market Act (use of inside information). It was ruled that no breach had been committed.
(4/11)	**Ministerial Order of 7 March 2011**
	Resolution of the disciplinary proceedings brought against one natural person, in that person's capacity as a director of a corporate issuer, for the alleged commission of a very serious breach of Article 99 p) of the Securities Market Act - failure to comply with the regime on significant shareholdings in corporate issuers. The natural person was fined 12,000 euros.
(5/11)	**Resolution of the Board of the CNMV of 4 April 2011**
	Resolution, in relation to the investment services firm, of the disciplinary proceedings brought against an investment services firm for the alleged commission of a serious breach of Article 100 x) bis of the Security Market Act - failure to report transactions suspected of constituting market abuse to the CNMV - and against a corporate issuer and its chairperson for the alleged commission of a very serious breach of Article 99 i) of the Securities Market Act - market manipulation. The investment firm was fined 30,000 euros.
(6/11)	**Resolution of the Board of the CNMV of 4 April 2011**
	Resolution, in relation to the non-existence of liability of two of the members of the Board of directors, of the disciplinary proceedings brought against a corporate issuer and the ten members of its Board for the alleged commission of a very serious breach of Article 99) m of the Securities Market Act - delay in providing the annual financial report.
(7/11)	**Ministerial Order of 11 April 2011**
	Resolution of the disciplinary proceedings brought against one natural person, in that person's capacity as a director of a corporate issuer, for the alleged commission of a very serious breach of Article 99 p) of the Securities Market Act - failure to comply with the regime on significant shareholdings in corporate issuers. The natural person was fined 12,000 euros.
(8/11)	**Ministerial Order of 11 April 2011**
	Resolution of the disciplinary proceedings brought against a company, in its capacity as a director of a corporate issuer, for the alleged commission of a very serious breach of Article 99 p) of the Securities Market Act - failure to comply with the regime on significant shareholdings in corporate issuers. The company was fined 18,000 euros.
(9/11)	**Ministerial Order of 20 April 2011**
	Resolution, in relation to the investment services firm and its chairperson, of the disciplinary proceedings brought against an investment services firm for the alleged commission of a serious breach of Article 100 x) bis of the Security Market Act - failure to report transactions suspected of constituting market abuse to the CNMV - and against a corporate issuer and its chairperson for the alleged commission of a very serious breach of Article 99 i) of the Securities Market Act - market manipulation. The entity was fined 150,000 euros and its chairperson was fined 60,000 euros.
(10/11)	**Ministerial Order of 9 May 2011**
	Resolution of the disciplinary proceedings brought against a corporate issuer and its chairperson for the alleged commission of a very serious breach of Article 99 ñ) of the Securities Market Act - failure to report significant information to the CNMV. The entity was fined 50,000 euros and its chairperson was fined 75,000 euros.
(11/11)	**Ministerial Order of 25 May 2011**
	Resolution of the disciplinary proceedings brought against a corporate issuer and the ten members of its Board of directors for the alleged commission of a very serious breach of article 99 m) of the Securities Market Act - delay in providing the annual financial report. The entity was fined 30,000 euros and eight of the ten members of the board of directors were fined a total of 105,000 euros.

Outcome of disciplinary proceedings in 2011 *(continuation)*

Reference	Resolutions
(12/11)	**Resolution of the Board of the CNMV of 9 June 2011**
	Resolution of the disciplinary proceedings brought against four companies for the alleged commission of a very serious breach of Article 99 r) of the Securities Market Act - providing misleading information in a takeover prospectus. The classification was reduced to a serious breach of Article 100 z) bis of the Securities Market Act and the entities were fined an overall amount of 100,000 euros.
(13/11)	**Resolution of the Board of the CNMV of 9 June 2011**
	Resolution of the disciplinary proceedings brought against a corporate issuer and the members of its Board of directors for the alleged commission of a very serious breach of Article 99 m) of the Securities Market Act - delay in providing the CNMV with the annual financial report - and a serious breach of Article 100 b) bis - failure to file the annual corporate governance report with the CNMV. The classification was reduced from a very serious breach to a serious breach of Article 100 j) of the Securities Market Act, and the company was given two fines of 1,500 euros each and a ruling of no liability was given as regards the directors.
(14/11)	**Resolution of the Board of the CNMV of 28 July 2011**
	Resolution of the disciplinary proceedings brought against a corporate issuer for the alleged commission of two serious breaches, one of Article 100 b) bis and another of Article 100 j), both of the Securities Market Act, for a delay in providing the CNMV with the annual corporate governance report and various periodic financial reports respectively. The entity was given two fines of 1,500 euros each.
(15/11)	**Ministerial Order of 2 August 2011**
	Resolution of the disciplinary proceedings brought against a CIS management company for the alleged commission of a very serious breach of Article 80 n) of the Collective Investment Schemes Act for a breach of the regime for income, fees and expenses attributable to the managed collective investment schemes. The entity was fined 14 million euros.
(16/11)	**Ministerial Order of 3 October 2011**
	Resolution of the disciplinary proceedings brought against a corporate issuer and the members of its Board of directors for the alleged commission of a very serious breach of Article 99 m) of the Securities Market Act, for a delay in providing the CNMV with the annual financial report. The entity was fined 18,000 euros and the directors were fined a total of 50,000 euros.
(17/11)	**Resolution of the Board of the CNMV of 5 October 2011**
	Resolution, in relation to the serious breach of Article 100 b) of the Securities Market Act - failure to respond to CNMV requests on time- of the disciplinary proceedings brought against a corporate issuer and the members of its Board of directors for the alleged commission of various breaches of the Securities Market Act. The classification was reduced from serious to minor and the entity was fined 10,000 euros.
(18/11)	**Ministerial Order of 13 October 2011**
	Resolution of the disciplinary proceedings brought against an investment services firm for the alleged commission of two very serious breaches of Article 99 p) of the Securities Market Act - failure to comply with the regime on notification of significant shareholdings in corporate issuers. The company was fined 12,000 euros and 6,000 euros.
(19/11)	**Ministerial Order of 4 November 2011**
	Resolution of the disciplinary proceedings brought against a corporate issuer and its directors for the alleged commission of a very serious breach of Article 99 m) of the Securities Market Act - failure to provide the CNMV with the annual financial report. The entity was fined 3,000 and each one of its directors was fined 9,000 euros.
(20/11)	**Ministerial Order of 16 November 2011**
	Resolution of the disciplinary proceedings brought against two natural persons for the alleged commission, by each one of them, of a very serious breach of Article 99 o) of the Securities Market Act, for disclosing inside information to third parties and using said information respectively. One of the natural persons was fined 120,000 euros and the other was fined 240,000 euros.
(21/11)	**Ministerial Order of 2 December 2011**
	Resolution of the disciplinary proceedings brought against a company for the alleged commission of a very serious breach of Article 99 p) of the Securities Market Act - failure to comply with the regime on notification of significant shareholdings in corporate issuers. The company was fined 50,000 euros.
(22/11)	**Ministerial Order of 15 December 2011**
	Resolution of the disciplinary proceedings brought against a corporate issuer and its chairperson for the alleged commission of a very serious breach of Article 99 ñ) of the Securities Market Act, for failing to report significant information on the company to the CNMV. The company was fined 50,000 euros and its chairperson was fined 100,000 euros.

List of rulings on contentious-administrative appeals against penalties in 2011

No.	Date	Court	Appeal no.	Ruling appealed
1	17/01/2011	Supreme Court	396/2001	Ruling AN 12/07/2005
Rules against the appeal – doctrinal unification - lodged against the National High Court Ruling of 12 July 2005 which confirms the penalties imposed for serious breaches of Article 100 b), c), g), h) and t) of the Securities Market Act, for the ruling of the Board of the CNMV of 27 June 2000, in turn upheld by the Ministry of Economy Ruling of 12 March 2001.				
2	26/01/2011	National High Court	605/2009	Order MEH 07/07/2009
Upholds the penalties imposed by the Ministry of Economy and Finance Order dated 24 April 2009 for a very serious breach of Article 80 f) of the Securities Market Act., in turn upheld by a Ruling from the same Ministry, dated 7 July 2009.				
3	13/04/2011	National High Court	1/2010	Order MEH 02/11/2009
Upholds the penalty imposed by the Ministry of Economy and Finance Order dated 2 November 2009 for a very serious breach of article 99 o) of the Securities Market Act.				
4	27/04/2011	National High Court	70/2010	Order MEH 09/12/2009
Partially finds in favour of the appeal lodged against the Ministry of Economy and Finance Order of 9 December 2009, on the imposition of penalties for very serious breaches of Article 80 of the CIS Act, cancelling the penalty imposed for one of the breaches.				
5	26/05/2011	Supreme Court	323/2008	Ruling AN 10/06/2009
Supreme Court decision dismissing the appeal lodged against the Ministry of Economy and Finance Ruling of 10 June 2009, upholding the penalty imposed by Order of the Ministry of Economy and Finance of 4 February 2008, which was in turn upheld by a Ruling from the same Ministry on 30 May 2008, as regards a very serious breach of Section 99 o) of the Securities Market Act. The ruling appealed is declared final.				
6	01/06/2011	National High Court	263/2010	Order MEH 12/02/2010
Upholds the penalties imposed by the Ministry of Economy and Finance Order dated 12 February 2010 for very serious breaches of Article 99 p) and 99 r) of the Securities Market Act.				
7	20/06/2011	National High Court	558/2010	Order MEH 15/06/2010
Upholds the Ministry of Economy and Finance Ruling of 15 June 2010, which dismissed the appeal lodged against the Order of the same Ministry of 25 February 2010, which imposed penalties relating to a very serious breach of Article 99 o) of the Securities Market Act.				
8	20/06/2011	National High Court	548/2010	Order MEH 03/03/2010
Upholds the penalty imposed by the Ministry of Economy and Finance Order dated 25 February 2010, upholding the Ruling of the same Ministry of 3 March 2010 relating to a very serious breach of Article 99 o) of the Securities Market Act.				
9	27/09/2011	Supreme Court	290/2006	Ruling AN 21/10/2008
Rules against the appeal lodged against the Ministry Economy and Finance Ruling of 21 October 2008, upholding the penalty imposed - in relation to a very serious breach of Article 99 o) of the Securities Market Act - by Order of the Ministry of Economy and Finance of 10 March 2006, upheld by a Ruling of the same Ministry dated 16 June 2006.				

Public warnings in respect of non-registered entities

Date	Company to which the warning relates	Regulator/ Supervisor
Warnings from the CNMV regarding non-authorised entities		
21/02/2011	BARBELL DUH, S.L.	CNMV
21/02/2011	JORGE RAFAEL CALDERÓN ZAMANILLO	CNMV
21/02/2011	CLOSE ON, S.L.	CNMV
21/02/2011	DEALERS QUALITY CONSULTING, S.L. WWW.DEALERS.COM.ES	CNMV
21/02/2011	IBERIA SECURITIES	CNMV
21/02/2011	INFORMACIÓN QUALIFICADA BOLSA, S.L.	CNMV
21/02/2011	TRADING BOLSA, S.L.	CNMV
21/02/2011	TRAVEL RULE, S.L.	CNMV
28/03/2011	PROYECTALIA GRUPO EMPRESARIAL, S.L. WWW.SIRENTABLE.COM	CNMV
04/04/2011	BELLFIELD INTERNACIONAL ESPAÑA, S.L. KLAUS ULRICH MÜLLER WWW.BELLFIELD-BARNA.COM	CNMV
11/04/2011	BOLSARENTABLE ASESORES FINANCIEROS WWW.BOLSARENTABLE.COM	CNMV
18/04/2011	BARVETII WEALTH CONSULTANTS WWW.BARVETII.COM	CNMV
18/04/2011	OVANNIS CAPITAL WWW.OVANNISCAPITAL.COM	CNMV
25/04/2011	BOY MALON 21, S.L. (EUROPEAN FINANCIAL SERVICES)	CNMV
25/04/2011	MACMILLAN FINE INTERNATIONAL WWW.MACMILLANFINE.COM	CNMV
18/07/2011	BUSINESS CASTLE FENIX, S.L. WWW.CASTLEFENIX.COM	CNMV
18/07/2011	MERCADIA ASESORES, S.A. HTTP://MERCADIAASESORES.COM	CNMV
18/07/2011	SEARCH PROFIT CORPORATION, S.L.U. RAMON LUENGO MONTESINOS	CNMV
18/07/2011	THE ROIET TRADING WWW.ROIET-TRADING.COM	CNMV
01/08/2011	MERCADIVISAS INTERNACIONAL, S.A. EDUARDO CARMONA SÁNCHEZ WWW.MERCADIVISASINTERNACIONAL.COM JUAN LUIS ORTIZ GAJINO	CNMV
01/08/2011	QUATERMAAN BROTHERS GESTIÓN, S.L. VICTORIA FERNANDA GÁLVEZ OSSA WWW.QBGESTION.COM	CNMV
01/08/2011	RED HOUSE CAPITAL PARTNERS, S.L. PAUL MILLWARD HTTP://WWW.REDHOUSE-CAPITAL.COM	CNMV
12/09/2011	FINANCIAL IMPROVE 2008, S.L. PEDRO MANUEL MARTÍN ORANTOS JAIME SANZ EXTREMERA GARCÍA WWW.FINANCIALIMPROVE.ES ALEJANDRO SALGADO VEGA DAVID COLÁS LORENZO	CNMV

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
03/10/2011	MARKET & BUSINESS CONSULTING ADVICE, S.L. JOSE LUIS BARRANTES MALDONADO WWW.MBCONSULTING.ES	CNMV	
03/10/2011	CONSULTING STRATEGY FINANCE, S.L. RAFAEL CARRILLO DE ALBORNOZ SÁNCHEZ WWW.CSFINANCE.ES	CNMV	
03/10/2011	WWW.UNIFINAN.ES RAFAEL MORA CANO	CNMV	
10/10/2011	REAL-BOT CAPITAL MANAGEMENT WWW.REAL-BOT.COM	CNMV	
10/10/2011	GRUS CAPITAL MANAGEMENT WWW.GRUSCAPITAL.COM MUSTAFA CEPERO BOULLRA	CNMV	
14/11/2011	PERTINAX 2010, S.L.	CNMV	
19/12/2011	ATLANTIC INTERNATIONAL PARTNERSHIP WWW.ATLANTICINTERNATIONALPARTNERSHIP.COM	CNMV	
19/12/2011	IBOLUTION.BLOGSPOT.COM HTTP://IBOLUTIONSERV.BLOGSPOT.COM JOSÉ IGNACIO ROS VALCÁRCEL WWW.IBOLUTION.NET	CNMV	
19/12/2011	RENDIMIENTOS & PLUSVALÍAS	CNMV	
Public warnings forwarded to the CNMV by foreign regulators			
12/01/11	BARVETII WEALTH CONSULTANTS WWW.BARVETII.COM	CBFA - BELGIUM	
12/01/11	EUROPEAN FINANCE SERVICES HTTP://EFINANCESERVICES.EU	JFSC - JERSEY	
12/01/11	MANCINI ASSOCIATES WWW.MANCINI-ASSOCIATES.COM	FSAN - NORWAY	
12/01/11	MASTERS FINANCIAL CORPORATION WWW.MASTERSFINANCIALCORP.COM	FSAN - NORWAY	
19/01/11	SUMMIT HOLDINGS WWW.SUMMITHOLDINGS.INFO	SFSA - SWEDEN	
19/01/11	EVEREST ASSET MANAGEMENT WWW.EVERESTAM.COM	SFSA - SWEDEN	
19/01/11	LOMBARD GRAND FINANCIALS WWW.LOMBARDGRANDFINANCIALS.COM	SFSA - SWEDEN	
19/01/11	ROONEY GALLAGHER PRIVATE EQUITY PARTNERS LLC	EI CBI - IRELAND	
19/01/11	RODEO	FMA - AUSTRIA	
19/01/11	DACHSER GLOBAL MARKETS WWW.DACHSER-GLOBALMARKETS.COM	FMA - AUSTRIA	
19/01/11	LIQUA GBR WWW.LIQUA.AT	FMA - AUSTRIA	
19/01/11	GEOFFROY CATHERINE	CBFA - SWEDEN	
19/01/11	RECLAIM INVESTMENT BANK, GIBRALTAR	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain as regards the dispute in relation to the British territory of Gibraltar and in relation to the local nature of its authorities.

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
19/01/11	CASHBACK INVESTMENT BANK, GIBRALTAR	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain as regards the dispute in relation to the British territory of Gibraltar and in relation to the local nature of its authorities.
26/01/11	GUARDIAN INTERNATIONAL LTD. WWW.GUARDIAN-INTER.COM	SFSA - SWEDEN	
26/01/11	WESTERN GLOBAL CAPITAL MANAGEMENT WWW.WESTERNGLOBALCAPMGT.COM	SFSA - SWEDEN	
26/01/11	WINDCREST MANAGEMENT SOLUTION, LTD. WWW.WINDCRESTMGTSOLUTION.COM	SFSA - SWEDEN	
26/01/11	KYODO SECURITIES WWW.KYODOSECURITIES.COM	SFSA - SWEDEN	
02/02/11	FINICHECK PLC	FMA - AUSTRIA	
02/02/11	MORGAN FINCH INTERNATIONAL WWW.MORGANFINCH.NET	FMA - AUSTRIA	
02/02/11	EMPRESA MINERA (BERGBAU) AG WWW.EMPRESA-MINERA.CH	FMA - AUSTRIA	
02/02/11	VIVANT FINANCIAL S.A.	CSSF - LUXEMBOURG	
02/02/11	BELLVIEW FINANCIAL BELLVIEWFINANCIAL.COM	FSAN - NORWAY	
02/02/11	WHEELER ASSET GROUP WWW.WHEELERASSETGROUP.COM	SFSA - SWEDEN	
02/02/11	HERSH EDELMAN WWW.HERSH-EDELMAN.COM	SFSA - SWEDEN	
02/02/11	BLACK ROSE FINANCIAL WWW.BLACKROSEFINANCIAL.COM	SFSA - SWEDEN	
02/02/11	HARDWICKE ADVISORY WWW.HARDWICKEADVISORY.COM	FSA - UNITED KINGDOM	
09/02/11	ENERGY GROUP INTERNATIONAL WWW.ENERGYGROUPINTERNATIONAL.BIZ	FSA - UNITED KINGDOM	
09/02/11	VANTAGE EQUITY WWW.VANTAGEEQUITY.COM	FSA - UNITED KINGDOM	
09/02/11	OPTIS GROUP LLC WWW.OPTISGROUPLLC.COM	FSA - UNITED KINGDOM	
09/02/11	INTERNATIONAL STOCK TRANSFER ADMINISTRATION WWW.STOCKTRANSFER.ORG	FSA - UNITED KINGDOM	
09/02/11	RBEF LIMITED WWW.RBEF-LIMITED.NET	FSA - UNITED KINGDOM	
09/02/11	EATON CAPITAL AMERICAS HTTP://WWW.EATONCAPITALAMERICAS.COM	FSAN - NORWAY	
09/02/11	SPRING FINANCE	FSAN - NORWAY	
09/02/11	SEEWEST HOLDINGS LTD. HTTP://WWW.SWPROFITS.COM	CYSEC - CYPRUS	
09/02/11	SWISS GROUP & PARTNER WWW.SWISSGROUP-PARTNER.CH	FMA - AUSTRIA	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
09/02/11	NEW CENTURY CAPITAL HTTP://NEWCENCAP.COM	FMA - AUSTRIA
09/02/11	WORLDWIDE FINANCE MARKETING SERVICES	FMA - AUSTRIA
09/02/11	GLOBAL HEDGE FUND GROUP LTD. GHF CAYMAN ISLANDS HTTP://WWW.GHFGROUP.NET/	FMA - AUSTRIA
09/02/11	RATTENBURY GROUP WWW.RATTENBURYGROUP.COM	SFSA - SWEDEN
09/02/11	GLOBAL QUEST CONSULTANCY SERVICES, INC. WWW.GLOBALQUESTSERVICES.COM	SFSA - SWEDEN
09/02/11	VAUGHAN EQUITIES, LLC. WWW.VAUGHANEQUITIESLLC.COM	SFSA - SWEDEN
16/02/11	JACOBSON GROUP WWW.JACOBSONGROUP.NET	FSA - UNITED KINGDOM
16/02/11	SIDSTONE, GRAY & PARTNERS WWW.SIDSTONEGRAY.COM	FSA - UNITED KINGDOM
16/02/11	JOHN WINDSOR AND ASSOCIATES WWW.JOHNWINDSORANDASSOCIATES.COM	FSA - UNITED KINGDOM
16/02/11	B GOLD INTERNATIONAL LLC/BGOLDS WWW.B-GOLDS.COM/	DFSA - DENMARK
16/02/11	CAMELOT ADVISORS IMMOBILIEN WWW.CAMELOTADVISORS.COM	DFSA - DENMARK
16/02/11	PAN ASIA BROKERS & CONSULTANTS LTD HTTP://WWW.PANASIABROKERS.COM	CYSEC - CYPRUS
16/02/11	KYODO SECURITIES WWW.KYODOSECURITIES.COM	FSAN - NORWAY
16/02/11	SUN BANK OFFSHORE JERSEY (CHANNEL ISLANDS)	JFSC - JERSEY
16/02/11	THE BANK STREET SECURITIES/TBS SECURITIES	EI CBI - IRELAND
23/02/11	FXOPEN INVESTMENTS INC. HTTP://WWW.FXOPEN.COM	CYSEC - CYPRUS
23/02/11	OPTION10 HTTP://WWW.OPTION10.COM	CYSEC - CYPRUS
23/02/11	SANDFORD HALE & CO. WWW.SANDFORD-HALE.COM	DFSA - DENMARK
23/02/11	IDEAL MERGER GROUP WWW.IDEALMERGERGROUP.COM	SFSA - SWEDEN
23/02/11	ASSET TRUST MANAGEMENT WWW.ASSETTM.COM	FSA - UNITED KINGDOM
23/02/11	M S GLOBAL WWW.MSGS.PL	FSA - UNITED KINGDOM
23/02/11	STANTON GOLDSTEIN WWW.STANTONGOLDSTEIN.COM	FSA - UNITED KINGDOM
23/02/11	BERRSCOTT, ELLIOTT & ASSOCIATES WWW.BERRSCOTTELLIOTT.COM	FSA - UNITED KINGDOM
23/02/11	AXIS CORPORATE FINANCE WWW.AXISCF.COM	FSA - UNITED KINGDOM
23/02/11	ABC FINANCE	FSA - UNITED KINGDOM

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
23/02/11	ORION INTERNATIONAL TRADING	FSA - UNITED KINGDOM
23/02/11	VANTAGE EQUITY INTERNATIONAL LTD.	FSB-CT - TAIWAN (CHINA TAIPEI)
02/03/11	MORETTI ASSOCIATES WWW.MORETTI-ASSOCIATES.COM	FMA - AUSTRIA
02/03/11	GROEN BELANG WWW.GROENBELANG.NL	AFM - NETHERLANDS (HOLLAND)
02/03/11	ALAN WOODS	FSA - UNITED KINGDOM
02/03/11	AMERICAN TAXATION WWW.AMERICANTAXATION.COM	FSA - UNITED KINGDOM
02/03/11	ANDERSON GOLDSTEIN WWW.ANDERSONGOLDSTEIN.COM	FSA - UNITED KINGDOM
02/03/11	BLACK ROSE FINANCIAL WWW.BLACKROSEFINANCIAL.COM	FSA - UNITED KINGDOM
02/03/11	BROOKS AND HAWTHORNE CONSULTING LTD WWW.BROOKS-HAWTHORNE.COM	FSA - UNITED KINGDOM
02/03/11	HOXTON ASSOCIATES WWW.HOXTON-ASSOCIATES.COM	FSA - UNITED KINGDOM
02/03/11	INTEGRATED INVESTMENT GROUP WWW.INTEGRATEDINVESTMENTGROUP.COM	FSA - UNITED KINGDOM
02/03/11	INTER-CITI CAPITAL WWW.INTERCITICAPITAL.COM	FSA - UNITED KINGDOM
02/03/11	INVEST DIRECT GROUP WWW.INVEST-DIRECT-GROUP.COM	FSA - UNITED KINGDOM
02/03/11	NEW WATERFORD LTD WWW.NEW-WATERFORD.NET	FSA - UNITED KINGDOM
02/03/11	SUMMIT HOLDINGS WWW.SUMMITHOLDINGS.INFO	FSA - UNITED KINGDOM
02/03/11	TRINITY OPTION AND FUTURES GROUP WWW.TOFGROUP.COM	FSA - UNITED KINGDOM
02/03/11	EDGELAKE M&A WWW.EDGELAKEMA.COM	SFSA - SWEDEN
02/03/11	STANDARD HOKORI GROUP WWW.STANDARDHOKORI.COM	SFSA - SWEDEN
02/03/11	VIRTUAL TRADE, INC	SFSA - SWEDEN
02/03/11	DIVERSIFIED PORTFOLIO MANAGEMENT INVEST (DPM INVEST) WWW.DPMINVEST.COM	FSA - UNITED KINGDOM
09/03/11	UNIQUE ASSET LLC, HONG KONG EXCHANGES AND CLEARING LIMITED WWW.UASST.COM	FMA - AUSTRIA
09/03/11	BRYANT SHAW LLC WWW.BRYANTSHAW.COM	FSA - UNITED KINGDOM
09/03/11	GLOBAL EQUITY PARTNERS/GE PARTNERS WWW.GEPARTNERSPLC.COM	FSA - UNITED KINGDOM
09/03/11	IDEAL MERGER GROUP WWW.IDEALMERGERGROUP.COM	FSA - UNITED KINGDOM

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
09/03/11	STANDARD HOKORI GROUP WWW.STANDARDHOKORI.COM	FSA - UNITED KINGDOM
09/03/11	STEINER HAUS CAPITAL WWW.STEINERHAUSCAPITAL.COM	FSA - UNITED KINGDOM
09/03/11	UTC INTERNATIONAL SERVICES WWW.UTCINTERNATIONALSERVICES.COM	FSA - UNITED KINGDOM
09/03/11	HELLAS FINANCIAL SERVICES MR. PETER TSIRONIS	HCMC - GREECE
16/03/11	RAISINO HOLDINGS LTD HTTP://WWW.RAISINO-HOLDINGS.COM	CYSEC - CYPRUS
16/03/11	MORETTI ASSOCIATES HTTP://WWW.MORETTI-ASSOCIATES.NET	DFSA - DENMARK
16/03/11	ALTANUS LIMITED (SWISS MONEY REPORT) WWW.SWISSMONEYREPORT.NET WWW.SMR-NEWS.COM	AMF - FRANCE
16/03/11	ABBOTTS INVESTMENT GROUP WWW.ABBOTTSINVESTMENTGROUP.COM	FSA - UNITED KINGDOM
16/03/11	ALLIANCE INVESTMENT GROUP WWW.AIG-SECURITIES.COM	FSA - UNITED KINGDOM
16/03/11	ALLIANZZ GLOBAL INVESTORS FUND WWW.ALLIANZGLOBALINVESTORSFUND.COM	FSA - UNITED KINGDOM
16/03/11	CHARLES SCHWAB	FSA - UNITED KINGDOM
16/03/11	INDEPENDENT PRIVATE CONSULTANTS	FSA - UNITED KINGDOM
16/03/11	LEXINGTON DIRECT WWW.LEXINGTONDIRECT.COM	FSA - UNITED KINGDOM
16/03/11	LOMBARD GRAND FINANCIALS WWW.LOMBARDGRANDFINANCIALS.COM	FSA - UNITED KINGDOM
16/03/11	MATHISEN FINANCIAL WWW.MATHISENFINANCIAL.COM	FSA - UNITED KINGDOM
16/03/11	OCCIDENTAL CAPITAL PARTNERS WWW.OXYCAPITALPARTNERS.COM	FSA - UNITED KINGDOM
16/03/11	RAYBURN WATSON AND ASSOCIATES WWW.RAYBURNWATSON.COM	FSA - UNITED KINGDOM
16/03/11	WILLIAM SMITH AND COMPANY WWW.WILLIAMSMITHANDCOMPANY.COM	FSA - UNITED KINGDOM
23/03/11	BEIJING MANAGEMENT CORPORATION HTTP://BEIJINGMCORP.COM/	DFSA - DENMARK
23/03/11	FISS FINANCE HTTP://WWW.FISS.SI/	SSMA - SLOVENIA
23/03/11	B GOLD INTERNATIONAL LLC WWW.B-GOLDS.COM/	FSA - UNITED KINGDOM
23/03/11	COOPER COMPANY MANAGEMENT WWW.COOPERCOMPANYMANAGEMENT.COM	FSA - UNITED KINGDOM
23/03/11	HARRIS JAMES ASSOCIATES WWW.HARRISJAMESASSOCIATES.COM	FSA - UNITED KINGDOM
23/03/11	HYPO VENTURE CAPITAL WWW.HYPOVC.COM	FSA - UNITED KINGDOM

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
23/03/11	INTERNATIONAL BOARD OF MERGERS AND ACQUISITIONS WWW.IBMA.US	FSA - UNITED KINGDOM	
23/03/11	MAYFAIR CAPITAL INVESTMENTS WWW.MAYFAIRCAPITALINVESTMENTS.COM	FSA - UNITED KINGDOM	
23/03/11	PRICE WEBB ASSOCIATES WWW.PRICEWEBBASSOCIATES.COM	FSA - UNITED KINGDOM	
23/03/11	RATTENBURY GROUP WWW.RATTENBURYGROUP.COM	FSA - UNITED KINGDOM	
23/03/11	WALTER PARKER GROUP WWW.WALTERPARKERGROUP.COM	FSA - UNITED KINGDOM	
23/03/11	BOESCH HAUFMANN ASSET MANAGEMENT INC. WWW.BOESCHHAUFMANN.COM	SFSA - SWEDEN	
23/03/11	BREISACH LIEBMAN AND KYOTO MERCANTILE EXCHANGE, KMEX WWW.BREISACH-LIEBMAN.COM	SFSA - SWEDEN	
23/03/11	DELAP CAPITAL SERVICES WWW.DELAPCAPITAL.COM	SFSA - SWEDEN	
23/03/11	PRIME ACQUISITIONS GROUP, INC. WWW.PRIME-AGI.COM	SFSA - SWEDEN	
23/03/11	ROSENTHAL & GOLDBERG ASSOCIATES WWW.ROSENTHAL-GOLDBERG.COM	SFSA - SWEDEN	
23/03/11	SANTANDER INVESTMENT SECURITIES GROUP WWW.SISG-MANAGEMENT.COM	SFSA - SWEDEN	BANCO SANTANDER, whose website is www.santander.com
23/03/11	STERNWOOD BUSINESS SERVICES WWW.STERNWOODBUSINESSSERVICES.COM	SFSA - SWEDEN	
23/03/11	SYNDICATED WEALTH GROUP WWW.SYNDICATEDWEALTH.COM	SFSA - SWEDEN	
23/03/11	SWISS CORP. INTERNATIONAL	SFSA - SWEDEN	
23/03/11	WINDGATE SECURITY MANAGEMENT WWW.WINDGATESECURITYMGT.COM	SFSA - SWEDEN	
30/03/11	HERSH EDELMAN WWW.HERSH-EDELMAN.COM	FMA - AUSTRIA	
30/03/11	ELECTRONIC MONEY INC. HTTP://WWW.AUTOCHANGE.PAGE.TL	CYSEC - CYPRUS	
30/03/11	RUBEN KATZ COMPANY LTD HTTP://WWW.LANDBANKINVEST.COM	CYSEC - CYPRUS	
30/03/11	IMPACT FINANCE WWW.IMPACTFINANCE.NET	FSAN - NORWAY	
30/03/11	CDV INVESTMENTS WWW.CDVINVESTS.COM	FSA - UNITED KINGDOM	
06/04/11	PARKER & BOYD WWW.PARKERBOYD.COM	FMA - AUSTRIA	
06/04/11	ROSENTHAL & GOLDBERG ASSOCIATES WWW.ROSENTHAL-GOLDBERG.COM	FMA - AUSTRIA	
06/04/11	SANDFORD HALE & CO. WWW.SANDFORD-HALE.COM	FMA - AUSTRIA	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
06/04/11	ASSURE.SE WWW.ASSURE.SE	SFSA - SWEDEN
06/04/11	EASTMAN ASSET MANAGEMENT WWW.EASTMANASM.COM	SFSA - SWEDEN
13/04/11	GLOBAL LIFESTYLE GROUP S.A. WWW.WORLDFXCLUB.COM	FMA - AUSTRIA
13/04/11	JSM FINANCIAL HTTP://JSMFINANCIAL.COM WWW.JSMFINANCIAL.COM	FMA - AUSTRIA
13/04/11	OMNIVEST LTD	CYSEC - CYPRUS
13/04/11	BANK SEWELL & RAYDELL WWW.SEWELLRAYDELL.COM	CSSF - LUXEMBOURG
13/04/11	TRADELIKETOM WWW.TRADELIKETOM.COM	CSSF - LUXEMBOURG
13/04/11	BLACK SWAN WEALTH MANAGEMENT WWW.BLACKSWANWM.COM	FSA - UNITED KINGDOM
13/04/11	GMM EQUITY HOLDING WWW.EQUITYHOLDING.COM	FSA - UNITED KINGDOM
13/04/11	HAMILTON HOUSE INTERNATIONAL WWW.HAMILTONHOUSE.COM	FSA - UNITED KINGDOM
13/04/11	MADISON ADVISORY GROUP WWW.MADISONADVISORY-GROUP.COM	FSA - UNITED KINGDOM
13/04/11	NC ADVISORY LTD	FSA - UNITED KINGDOM
13/04/11	STARKE WEALTH MANAGEMENT WWW.STARKEWEALTH.COM	FSA - UNITED KINGDOM
13/04/11	ST JAMES WEALTH WWW.STJWEALTH.COM	FSA - UNITED KINGDOM
13/04/11	TPG SECURITIES WWW.TPGSECURITIES.COM	FSA - UNITED KINGDOM
13/04/11	WALKER BRYAN SECURITIES WWW.NIKKEI-FINANCIAL.COM	FSA - UNITED KINGDOM
13/04/11	WEIZMANN & YOUNG WWW.WEIZMANNYOUNG.COM	FSA - UNITED KINGDOM
13/04/11	WOLFGANG INVESTMENT GROUP WWW.WOLFGANGINVESTMENTGROUP.COM	FSA - UNITED KINGDOM
13/04/11	ADVANCE PARTNERS LLC WWW.ADVANTAGESECURITIES.COM	SFSA - SWEDEN
13/04/11	BAKER & HIGGS ASSET MANAGEMENT WWW.BAKER-HIGGS.COM	SFSA - SWEDEN
13/04/11	WOODWARD GORDON CAPITAL INTERNATIONAL WWW.WG-CI.COM	SFSA - SWEDEN
20/04/11	WILLIAMS CORPORATION LTD. WWW.MYPRIVATETRADE.COM	FMA - AUSTRIA
20/04/11	4USIGNALS.COM HTTP://4USIGNALS.COM	CYSEC - CYPRUS

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
20/04/11	CASPIAN INVESTMENTS LIMITED	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain as regards the dispute in relation to the British territory of Gibraltar and in relation to the local nature of its authorities.
20/04/11	LOYAL BANK LIMITED	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain as regards the dispute in relation to the British territory of Gibraltar and in relation to the local nature of its authorities.
20/04/11	SUD INTERNET SERVICES LIMITED	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain as regards the dispute in relation to the British territory of Gibraltar and in relation to the local nature of its authorities.
20/04/11	TPG SECURITIES	EI CBI - IRELAND	
20/04/11	EXCELSUS BUSINESS SERVICES HTTP://EXCELSUSBUSINESSSERVICES.COM	FSAN - NORWAY	
20/04/11	LANTAU INTERNATIONAL WWW.LANTAU-INTERNATIONAL.COM	FSAN - NORWAY	
20/04/11	MORETTI ASSOCIATES WWW.MORETTI-ASSOCIATES.COM	FSAN - NORWAY	
20/04/11	CROMWELL AND GOODWIN WWW.CROMWELLGOODWIN.COM	FSA - UNITED KINGDOM	
20/04/11	DISTRESSED ACQUISITIONS COMMISSION WWW.DISTRESSEDAC.COM	FSA - UNITED KINGDOM	
20/04/11	EDGELAKE MERGERS & ACQUISITIONS WWW.EDGELAKEMA.COM	FSA - UNITED KINGDOM	
20/04/11	GLOBAL WORLD ACQUISITIONS WWW.GLOBALWORLDACQUISITIONS.COM	FSA - UNITED KINGDOM	
20/04/11	JEFFERSON BROOKES WWW.JEFFERSONBROOKES.COM	FSA - UNITED KINGDOM	
20/04/11	THOMAS ANDERSON ADVISORY WWW.THOMASANDERSONADVISORY.COM	FSA - UNITED KINGDOM	
20/04/11	WILLIAM CAMPBELL COMPANY WWW.WILLIAMCAMPBELLCOMPANY.COM	FSA - UNITED KINGDOM	
20/04/11	COMMONWEALTH ALLIANCE CORPORATION WWW.THECOMMONWEALTHALLIANCECORP.COM	SFSA - SWEDEN	
20/04/11	NEW OUTLOOK MANAGEMENT GROUP WWW.NEWOUTLOOKMG.COM	SFSA - SWEDEN	
20/04/11	WILKINSON BENNINGS SECURITIES WWW.WILKINSONBENNINGS.COM	SFSA - SWEDEN	
27/04/11	SHAFFER-LIENHARD WWW.SHAFFER-LIENHARD.COM	DFSA - DENMARK	
27/04/11	GREENGATE ADVISORS WWW.GREENGATE-ADVISORS.COM WWW.GREENGATEADVISORS.COM	FSA - UNITED KINGDOM	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
27/04/11	MACINTYRE SCHAFFER WWW.MACINTYRESCHAFFER.COM	FSA - UNITED KINGDOM
27/04/11	CONNELLY PETERSON LTD. WWW.CONNELLYPETERSON.COM	SFSA - SWEDEN
04/05/11	KAPITAL POOL 2010 CP2010 LTD. HTTP://WWW.KAPITALPOOL.BIZ/	FMA - AUSTRIA
04/05/11	DYNAMIC WEALTH MANAGEMENT, DWM WWW.DYNAMICWMANAGEMENT.COM	AMF - FRANCE
04/05/11	GENEVE INVEST HTTP://WWW.GENEVEINVEST.COM	AMF - FRANCE
04/05/11	GUARDIAN INTERNATIONAL LTD. WWW.GUARDIAN-INTER.COM	FSAN - NORWAY
04/05/11	MITSUI HOLDINGS WWW.MITSUIHOLDINGS.COM	FSAN - NORWAY
04/05/11	ABBERLEY CAPITAL WWW.ABBERLEYCAPITAL.COM	FSA - UNITED KINGDOM
04/05/11	BROOKES & ASSOCIATES WWW.BROOKES-ASSOCIATES.COM	FSA - UNITED KINGDOM
04/05/11	BROOMPARK INVESTMENTS LTD. WWW.B-PLL.COM	FSA - UNITED KINGDOM
04/05/11	CARTWRIGHT INVESTMENT GROUP WWW.CARTWRIGHTINVESTMENTGROUP.COM	FSA - UNITED KINGDOM
04/05/11	CHARLES SCHWARTZ INTERNATIONAL WWW.CHARLESSCHWARTZINTERNATIONAL.COM	FSA - UNITED KINGDOM
04/05/11	CHESTERFIELD LTD. WWW.CHESTERFIELD-LTD.COM	FSA - UNITED KINGDOM
04/05/11	INTERNATIONAL INVESTOR COMMISSION WWW.INTERNATIONALIC.COM	FSA - UNITED KINGDOM
04/05/11	SECURITIES TRADING COMMISSION WWW.GOV.SECTCO.US	FSA - UNITED KINGDOM
04/05/11	WESTBOROUGH LLC WWW.WESTBOROUGHLLC.COM	FSA - UNITED KINGDOM
04/05/11	SHAFFER LIENHARD AND BEIJING MERCANTILE EXCHANGE, BEMEX WWW.SHAFFER-LIENHARD.COM	SFSA - SWEDEN
11/05/11	LANTAU INTERNATIONAL WWW.LANTAU-INTERNATIONAL.COM	FMA - AUSTRIA
11/05/11	ROIET TRADING WWW.ROIET-TRADING.COM	CSSF - LUXEMBOURG
11/05/11	ALTANUS LIMITED (SWISS MONEY REPORT)	FSAN - NORWAY
11/05/11	BRACHMANN INTER DEALER SERVICES WWW.BRACHMANN-IDS.COM	FSA - UNITED KINGDOM
11/05/11	ELITE EEA INVESTMENT PORTFOLIO WWW.ELITE-EEA.COM	FSA - UNITED KINGDOM
11/05/11	ITAXATION CORPORATION LTD WWW.ITAXATION.COM	FSA - UNITED KINGDOM
11/05/11	WORLDWIDE RISK CONSULTANTS WWW.WORLDWIDERISKCONSULTANTS.COM	FSA - UNITED KINGDOM

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
11/05/11	WOLF INVESTMENT SOLUTIONS WWW.WOLD-INVESTSOL.COM	SFSA - SWEDEN
11/05/11	GREEN PLANTS INVESTMENTS MANAGEMENT LTD. HTTP://GPLANTS.ORG/	MFSA - MALTA
11/05/11	MERCIER AND CLARK PARTNERS WWW.MERCIERCLARK.COM	FSA - UNITED KINGDOM
18/05/11	WOLF INVESTMENT SOLUTIONS WWW.WOLD-INVESTSOL.COM	FSAN - NORWAY
18/05/11	APEX STOCK TRANSFER INC. WWW.APEXSTINC.COM	FSA - UNITED KINGDOM
18/05/11	BRIGHT BRIDGE WEALTH MANAGEMENT INC. WWW.BRIGHTBRIDGEWM.COM	FSA - UNITED KINGDOM
18/05/11	CAPITAL INVEST TRADING WWW.CITRADING.NET	FSA - UNITED KINGDOM
18/05/11	CLOSE CAPITAL INVESTMENTS WWW.CLOSE-CAPITAL.COM	FSA - UNITED KINGDOM
18/05/11	ELITE INDEPENDENT FINANCIAL ADVISERS WWW.ELITE.IFA.CO.UK	FSA - UNITED KINGDOM
18/05/11	GORDON GROUP SERVICES WWW.GORDONGROUPSERVICES.COM	FSA - UNITED KINGDOM
18/05/11	TRENDEX RESEARCH UK	FSA - UNITED KINGDOM
25/05/11	LANDEN OPTIONS AND FUTURES	FSMA - BELGIUM
25/05/11	ZENITH BANK CREDIT SERVICES	FSAN - NORWAY
25/05/11	BERKELEY CAPITAL FINANCE WWW.BERKELEYCAPITALFINANCE.COM WWW.BERKELEYCAPITALFINANCE.NET	FSA - UNITED KINGDOM
25/05/11	CLAYTON PRESSMAN IVY INTERNATIONAL WWW.CPI-I.COM	FSA - UNITED KINGDOM
25/05/11	DREXEL LAMBERT MERGERS AND ACQUISITIONS WWW.DREXELLAMBERTMERGERSANDACQUISITIONS.COM	FSA - UNITED KINGDOM
25/05/11	ESCROW ADVISORY GROUP/ESCROW ADVISORY LTD	FSA - UNITED KINGDOM
25/05/11	LYNDON PEARCE	FSA - UNITED KINGDOM
25/05/11	RDS COMMODITIES	FSA - UNITED KINGDOM
25/05/11	FIRST INC LIMITED WWW.FIRSTINCLTD.COM	SFSA - SWEDEN
01/06/11	CDV INVESTMENTS (EUROPE)	FMA - AUSTRIA
01/06/11	SYNDICATED WEALTH GROUP WWW.SYNDICATEDWEALTH.COM	FMA - AUSTRIA
01/06/11	WILLIAM SMITH AND COMPANY WWW.WILLIAMSMITHANDCOMPANY.COM	FMA - AUSTRIA
01/06/11	SHAFFER LIENHARD HTTP://WWW.SHAFFER-LIENHARD.COM/	AMF - FRANCE
01/06/11	WWW.IKKOTRADER.COM	AMF - FRANCE
01/06/11	WWW.OPTIONFAIR.COM	AMF - FRANCE
01/06/11	WWW.OPTIONBIT.COM	AMF - FRANCE
01/06/11	WWW.TRADERXP.COM	AMF - FRANCE

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
01/06/11	WWW.24OPTION.COM	AMF - FRANCE
01/06/11	WWW.OPTION10.COM	AMF - FRANCE
01/06/11	WWW.UFXBANK.COM	AMF - FRANCE
01/06/11	WWW.WINOPTIONS.COM	AMF - FRANCE
01/06/11	WWW.EXCITINGMARKETS.COM	AMF - FRANCE
01/06/11	WWW.MARKETPUNTER.COM	AMF - FRANCE
01/06/11	FIRST INC LTD. HTTP://WWW.FIRSTINCLTD.COM	FSAN - NORWAY
01/06/11	GOLDBERGER & DECADENET WWW.GOLDBERGER-DECADENET.COM	FSA - UNITED KINGDOM
01/06/11	OCTAGON FINANCIAL GROUP	FSA - UNITED KINGDOM
01/06/11	APEX HOLDINGS LTD WWW.APEX-HOLDINGS.COM	SFSA - SWEDEN
01/06/11	DELTA WEST FINANCIAL MANAGEMENT WWW.DELTAWESTFINANCIALMGT.COM	SFSA - SWEDEN
01/06/11	MAGNIS GLOBAL WWW.MAGNIS-GLOBAL.COM	SFSA - SWEDEN
01/06/11	MARCUS & COMPANY INC. WWW.MARCUSANDCOMP.COM	SFSA - SWEDEN
08/06/11	FUTURO FINANCIAL	EI CBI - IRELAND
08/06/11	TORTOLA CAPITAL	EI CBI - IRELAND
08/06/11	ANDREAS BRAASCH WWW.ANDREAS-BRAASCH.COM	FSA - UNITED KINGDOM
08/06/11	ASSET RESTORATION FACILITY WWW.ARFACILITY.COM	FSA - UNITED KINGDOM
08/06/11	CITI CAPITAL PARTNERSHIP WWW.CITICAPITALPARTNERSHIP.COM	FSA - UNITED KINGDOM
08/06/11	COURTNEY BROWN GROUP WWW.THECOURTNEYBROWNGROUP.COM	FSA - UNITED KINGDOM
08/06/11	CROSSLEY ACQUISITIONS WWW.CROSSLEYACQUISITIONS.COM	FSA - UNITED KINGDOM
08/06/11	EUROPA CAPITAL GROUP WWW.EUROPA-CAPITAL-GROUP.COM	FSA - UNITED KINGDOM
08/06/11	PANMURE GORDON & CO	FSA - UNITED KINGDOM
08/06/11	SPS INVESTMENTS GMBH WWW.INVESTWITHSPS.COM	FSA - UNITED KINGDOM
08/06/11	SVM IRELAND WWW.SVMIRELAND.COM	FSA - UNITED KINGDOM
08/06/11	THE LIGHTMAN ASSOCIATES WWW.THELIGHTMANASSOCIATES.COM	FSA - UNITED KINGDOM
08/06/11	INTERNATIONAL BUREAU TRADE COMMISSION WWW.INTERBTC.ORG	SFSA - SWEDEN
08/06/11	RELIANCE ASSET MANAGEMENT LTD. WWW.RELIANCE-AM.COM	SFSA - SWEDEN
08/06/11	STRATEGIC MANAGEMENT, INC WWW.STRATEGICMGMTINC.COM	SFSA - SWEDEN

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
15/06/11	BAKER & HIGGS ASSET MANAGEMENT WWW.BAKER-HIGGS.COM	FMA - AUSTRIA
15/06/11	STRATEGIC PRIVATE EQUITY GROUP WWW.STRATEGICPEG.COM	FMA - AUSTRIA
15/06/11	PRESTIGE PROPERTY PORTFOLIO	FSMA - BELGIUM
15/06/11	PLAZA CAPITAL LTD WWW.PLAZA-CAPITAL.COM	CYSEC - CYPRUS
15/06/11	MERCIER AND CLARK HTTP://WWW.MERCIERCLARK.COM	AMF - FRANCE
15/06/11	COURTNEY BROWN GROUP WWW.THECOURTNEYBROWNGROUP.COM	CSSF - LUXEMBOURG
15/06/11	RYHAT ESTABLISHMENT INVESTMENT TRUST HTTP://BIZPRLOG.ORG/RYHATTRUST WWW.RYHATTRUST.COM	CSSF - LUXEMBOURG
15/06/11	BOLERO BPO LLC WWW.BOLEROBPO.COM	FSA - UNITED KINGDOM
15/06/11	BRIDPORT ADVISORY WWW.BRIDPORTADVISORY.COM	FSA - UNITED KINGDOM
15/06/11	JLS CAPITAL GROUP WWW.JLSCAPITALGROUP.COM	FSA - UNITED KINGDOM
15/06/11	LEK CONSULTING GROUP WWW.CLICKLEKCONSULTING.COM	FSA - UNITED KINGDOM
15/06/11	SANFORD C. BERNSTEIN LIMITED WWW.SCBERNSTEIN.CO.UK	FSA - UNITED KINGDOM
15/06/11	WOLF INVESTMENT SOLUTIONS WWW.WOLD-INVESTSOL.COM	FSA - UNITED KINGDOM
15/06/11	NEW YORK GLOBAL GROUP, INC. WWW.NEWYORKGGI.COM	SFSA - SWEDEN
15/06/11	SGS CONSULTANTS LIMITED WWW.SGSCONSULTANTSLIMITED.COM	SFSA - SWEDEN
22/06/11	ADAPTIS GROUP - INSURANCE BROKER & FINANCE SPRL	FSMA - BELGIUM
22/06/11	GUARDIAN CREATIVE TAX PLANNERS WWW.GUARDIAN-INTER.COM	FSMA - BELGIUM
22/06/11	GUARDIAN INTERNATIONAL LTD. WWW.GUARDIAN-INTER.COM	FSMA - BELGIUM
22/06/11	MAGNIS GLOBAL WWW.MAGNIS-GLOBAL.COM	DFSA - DENMARK
22/06/11	ATLANTIC INTERNATIONAL PARTNERSHIP WWW.ATLANTICINTERNATIONALPARTNERSHIP.COM	FSAN - NORWAY
22/06/11	MARCUS & COMPANY INC. WWW.MARCUSANDCOMP.COM	FSAN - NORWAY
22/06/11	SHENGTAI GROUP WWW.SHENGTAI-GROUP.COM	FSAN - NORWAY
22/06/11	APEX HOLDINGS	FSA - UNITED KINGDOM
22/06/11	EVOLUTION SECURITIES (ES) WWW.EVOLUTIONSEC.CO.UK	FSA - UNITED KINGDOM
22/06/11	FIRST INITIAL ASSET MANAGEMENT WWW.FIRSTINITIALASSETMANAGEMENT.COM	FSA - UNITED KINGDOM

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
22/06/11	INTERDEALER BROKERS (IDB) WWW.IDB.HEROBO.COM WWW.IDBHEROBO.COM	FSA - UNITED KINGDOM
22/06/11	INVESCO PERPETUAL (INVESCO ASIAN PRECIOUS METALS FUND) WWW.INVESCOPERPETUALFUNDS.COM	FSA - UNITED KINGDOM
22/06/11	PROGRESS ADVISORS LLC WWW.PROGRESSADVISORSMIAMI.COM	FSA - UNITED KINGDOM
22/06/11	SQUARE MILE FINANCE WWW.SQUAREMILEFINANCE.COM	FSA - UNITED KINGDOM
22/06/11	CORPORATE ONE ASSET MANAGEMENT WWW.CORPORATEONEASSETMGM.COM	SFSA - SWEDEN
22/06/11	HESKETH LEIHNER AND BEIJING FUTURES EXCHANGE, BFEX WWW.BFEX.ORG WWW.HESKETH-LEIHNER.COM	SFSA - SWEDEN
29/06/11	BVB DEVELOPMENT SA	FSMA - BELGIUM
29/06/11	TRAFALGAR INTERNATIONAL	FSMA - BELGIUM
29/06/11	INTERNATIONAL BANK VAULTS COURIER SERVICES MR. TREVOR PENNY	FSC - ISLE OF MAN
29/06/11	CORPORATE ONE ASSET MANAGEMENT HTTP://WWW.CORPORATEONEASSETMGMT.COM	JFSC - JERSEY
29/06/11	BLACKBIRD LEYS CREDIT UNION LTD WWW.BLACKBIRD-LEYS.COM	FSA - UNITED KINGDOM
29/06/11	BLACKSTONE WWW.BSKINTERNATIONAL.COM	FSA - UNITED KINGDOM
29/06/11	BROCHE CAPITAL ADVISORS WWW.BROCHECAPITALADVISORS.COM	FSA - UNITED KINGDOM
29/06/11	COLUMBIA DIRECT CORP WWW.COLUMBIADIRECTCORP.COM	FSA - UNITED KINGDOM
29/06/11	EAGLE STAR INTERNATIONAL SERVICES LTD WWW.EAGLESTAR-INTERNATIONAL.EU	FSA - UNITED KINGDOM
29/06/11	EPICON FINANCIAL WWW.EPICONFINANCIAL.COM	FSA - UNITED KINGDOM
29/06/11	FIRST INC LIMITED WWW.FIRSTINCLTD.COM	FSA - UNITED KINGDOM
29/06/11	GLOBALBANC FINANCIAL SERVICES LIMITED WWW.GLOBALBANCGROUP.COM	FSA - UNITED KINGDOM
29/06/11	LEGGMASON INVESTORS ASSET MANAGERS PLC WWW.LEGGMASON.NET WWW.LMPLC.NET	FSA - UNITED KINGDOM
29/06/11	DC FINANCIAL WWW.DCFINANCIAL.US	SFSA - SWEDEN
29/06/11	WERNER GROUP INTERNATIONAL WWW.WERNER-INTERNATIONAL.COM	SFSA - SWEDEN
29/06/11	YOSHIDA CORP. WWW.YOSHIDACORP.COM	SFSA - SWEDEN
06/07/11	FOREX	FSMA - BELGIUM

Date	Company to which the warning relates	Regulator/ Supervisor	
06/07/11	CAYO FLOW CAPITAL WWW.CAYOFLOW.COM	CYSEC - CYPRUS	
06/07/11	LANTAU GOLDWELL WWW.LANTAU-GOLDWELL.COM	DFSA - DENMARK	
06/07/11	FIN-SVETOVANJE D.O.O. HTTP://WWW.FIN-SVETOVANJE.SI/ HTTP://WWW.FIN-INVEST.EU/ HTTP://WWW.GARANCIJA-INVEST.COM	SSMA - SLOVENIA	
06/07/11	AZ MARKETS WWW.AZ-MARKETS.COM	FSA - UNITED KINGDOM	
06/07/11	CORPORATE ONE ASSET MANAGEMENT WWW.CORPORATEONEASSETMGM.COM	FSA - UNITED KINGDOM	
06/07/11	JOHNSON & STERLING CONSULTANCY SERVICES WWW.JOHNSONSTERLINGCONSULTANCY.COM	FSA - UNITED KINGDOM	
06/07/11	PEREGRINE INTERNATIONAL CONSULTING GROUP WWW.PEREGRINEINTLGROUP.COM	FSA - UNITED KINGDOM	
13/07/11	MR TIMOTHY JOHN TINDALL	JFSC - JERSEY	
13/07/11	INTERNATIONAL REGULATION SERVICES	FSA - UNITED KINGDOM	
13/07/11	INVESCO PERPETUAL - INVESCO GOLD PRECIOUS METALS FUND WWW.INVESCO-PERPETUALFUNDS.COM	FSA - UNITED KINGDOM	
13/07/11	R.A. LAFFERTY INC WWW.RA-LAFFERTYINC.COM	FSA - UNITED KINGDOM	
20/07/11	FG SOLUTIONS INTERNATIONAL	FSMA - BELGIUM	
20/07/11	FINANCIAL SERVICES REGULATORY AUTHORITY OF BELGIUM (FSRAB) WWW.FSRAB.ORG	FSMA - BELGIUM	
20/07/11	MORETTI ASSOCIATES AND LANTAU INTERNATIONAL	FSMA - BELGIUM	
20/07/11	ATM CAPITAL WWW.ATMCAPITAL.COM	FSAN - NORWAY	
20/07/11	DELTA WEST FINANCIAL MANAGEMENT WWW.DELTAWESTFINANCIALMGT.COM	FSAN - NORWAY	
20/07/11	SGS CONSULTANTS LIMITED WWW.SGSCONSULTANTSLIMITED.COM	FSAN - NORWAY	
20/07/11	SUNWAY INTERNATIONAL WWW.SUNWAY-INTERNATIONAL.COM	FSAN - NORWAY	
20/07/11	AXA ROSENBERG INVESTMENT MANAGEMENT LTD WWW.AXAROSENBERGINVESTMENTMANAGEMENT.COM WWW.ROSENBERGINVESTMENTMANAGEMENT.COM	FSA - UNITED KINGDOM	Unrelated to the entity registered with the FSA with the same name.
20/07/11	BEST SELECT FINANZ WWW.BESTSELECTFINANZ.COM	FSA - UNITED KINGDOM	
20/07/11	BRENTWOOD CAPITAL VENTURES WWW.BRENTWOODCAPITALVENTURES.COM	FSA - UNITED KINGDOM	
20/07/11	GLOBAL ONE INTERNATIONAL WWW.GLOBALONEINT.COM	FSA - UNITED KINGDOM	
20/07/11	MILLER & PARKER CONSULTING GROUP WWW.MILLERPARKERGROUP.COM	FSA - UNITED KINGDOM	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
20/07/11	RICHARD DAVIES INVESTORS LIMITED WWW.RDIRL.COM	FSA - UNITED KINGDOM	
20/07/11	SVL ASSET MANAGEMENT WWW.SVLASSETMANAGEMENT.COM	FSA - UNITED KINGDOM	
27/07/11	BELGRAVE CAPITAL MANAGEMENT (BEL)	FSA - UNITED KINGDOM	
27/07/11	PEAK POWER DIRECT WWW.PEAKPOWERDIRECT.COM	FSA - UNITED KINGDOM	
03/08/11	CEEM CENTRAL & EASTERN EUROPEAN MARKETS ASSET MANAGEMENT HTTP://CEEMAM.COM	FMA - AUSTRIA	
03/08/11	DONALDSON AND TURNER LTD. WWW.DONALDSONANDTURNER.COM	FMA - AUSTRIA	
03/08/11	FOREXTRADINGSERVICE AG LTD. WWW.FOREXTRADINGSERVICE.CH	FMA - AUSTRIA	
03/08/11	WORLD TRADE INSTITUTE WWW.WTI24.COM	FMA - AUSTRIA	
03/08/11	MUNDIAL SECURITIES WWW.MUNDIALSECURITIES.COM	FSAN - NORWAY	
03/08/11	NAB SECURITIES, INC WWW.NABSECURITIESINC.COM	FSAN - NORWAY	
03/08/11	ALLENDALE FINANCIAL SERVICES LIMITED 1959 HTTP://ALLEN-DALE-LTD-1959.CO.UK	FSA - UNITED KINGDOM	
03/08/11	BUTLER INVESTMENT MANAGERS WWW.BUTLER-INVESTMENTS.COM WWW.BUTLER-INVESTMENTMANAGERS.COM	FSA - UNITED KINGDOM	Unrelated to BUTLER INVESTMENT MANAGERS LTD authorised by the FSA with number 477024.
03/08/11	CRAWFORD & KNIGHT WWW.CRAWFORDKNIGHT.COM	FSA - UNITED KINGDOM	
03/08/11	CRISTOS INVESTMENTS SA WWW.CRISTOSINVESTMENTS.COM	FSA - UNITED KINGDOM	
03/08/11	FIRST INVESTMENT INTERNATIONAL FUNDS PLC	FSA - UNITED KINGDOM	
03/08/11	GLOBAL INVESTMENT GROUP WWW.GLOBAL-IG.COM	FSA - UNITED KINGDOM	
03/08/11	GREYSON CONSULTING GROUP WWW.GREYSONCONSULTINGGROUP.COM	FSA - UNITED KINGDOM	
03/08/11	MADISON AVENUE MERGERS & ACQUISITIONS WWW.MADISON-AVEMA.COM WWW.MADISONAVENUESITE.COM	FSA - UNITED KINGDOM	
03/08/11	MANOR FINANCIAL MANAGEMENT WWW.MANORHJ.HK WWW.MANORGOLD.COM	FSA - UNITED KINGDOM	
03/08/11	MOUNT VERNON EQUITIES INC.	FSA - UNITED KINGDOM	
10/08/11	CHARLES LEFEVRE (KONCEPT MARKETING)	FSMA - BELGIUM	
10/08/11	GLENDALE MANAGEMENT GROUP HTTP://GLENDALEMGT.COM/	DFSA - DENMARK	
10/08/11	LEADERS ASSET MANAGEMENT WWW.LEADERS-AM.COM	DFSA - DENMARK	
10/08/11	FAIRVESTA WWW.FAIRVESTA.DE	AMF - FRANCE	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
10/08/11	KYODO SECURITIES	AMF - FRANCE	
10/08/11	SATORI GROUP	AMF - FRANCE	
10/08/11	EQUITY RESEARCH PARTNERS	JFSC - JERSEY	
10/08/11	GLOBAL WORLD ACQUISITIONS	JFSC - JERSEY	
10/08/11	PETERSON ADVISORY LIMITED HTTP://WWW.PERTERSONCONSULTANCY.COM	JFSC - JERSEY	
10/08/11	AC ALTERNATIVE WWW.AC-ALTERNATIVE.COM	FSA - UNITED KINGDOM	
10/08/11	ACE EU MARKETS WWW.ACEEUMARKETS.COM	FSA - UNITED KINGDOM	This company is in no way related to the companies of the ACE EUROPEAN GROUP OF COMPANIES, some of which are duly registered with the FSA.
10/08/11	ALTERNATIVE INVESTMENTS ADVISORS WWW.ALTERNATIVEINVESTMENTSAB.COM	FSA - UNITED KINGDOM	
10/08/11	BLUE SKY MANAGEMENT WWW.BLUE-SKY-MANAGEMENT.COM	FSA - UNITED KINGDOM	
10/08/11	CAPSTONE FINANCIAL GROUP UK WWW.CAPSTONEFINANCIALUK.COM	FSA - UNITED KINGDOM	
10/08/11	FINAL HURDLE LTD WWW.FINAL-HURDLE.COM	FSA - UNITED KINGDOM	
10/08/11	GLENCORE INTERNATIONAL PLC	FSA - UNITED KINGDOM	
10/08/11	HEWITT & STERN WWW.HEWITTSTERN.COM	FSA - UNITED KINGDOM	
10/08/11	INTUITION CAPITAL CORPORATION WWW.INFO@INTUITIONCAPITAL.COM	FSA - UNITED KINGDOM	
10/08/11	MONTROSE GROUP WWW.MONTROSE-GROUP.COM	FSA - UNITED KINGDOM	This company is unrelated to the British company MONTROSE FASTENERS LTD (COMPANIES HOUSE No.: 02646431).
10/08/11	SANDFORD HALE & CO. WWW.SANDFORD-HALE.COM	FSA - UNITED KINGDOM	
10/08/11	SWISS FINANCIAL RESEARCH AG WWW.INFO@SWISS-FR.COM	FSA - UNITED KINGDOM	
10/08/11	WESTMINSTER FINANCIAL SERVICES WWW.WFSINT.COM	FSA - UNITED KINGDOM	
18/08/11	APOLLO TIGER FUND WWW.APOLLO-TIGERFUND.COM WWW.APOLLOFUNDSGUERNSEY.COM WWW.APOLLOGUERNSEY.COM	FSA - UNITED KINGDOM	Unrelated to MARLBOROUGH TIGER FUND LTD registered with the FSA with number 451823.
18/08/11	CHURCHILL CAPITAL CHURCHILL INTERNATIONAL GROUP WWW.CHURCHILLINTERNATIONAL.CO.CC	FSA - UNITED KINGDOM	Unrelated to CHURCHILL CAPITAL UK LTD, registered with the FSA with number 225631.
18/08/11	MENZIES & CO WWW.MENZIESANDCO.COM	FSA - UNITED KINGDOM	Unrelated to the following FSA authorised companies: MENZIES CORPORATE FINANCE LTD (number 230022); MENZIES WEALTH MANAGEMENT LTD (number 486548) and MENZIES LLP (registered auditors).

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
18/08/11	MOORGATE CAPITAL ADVISORS (CLON DE FIRMA AUTORIZADA POR FSA) MCA-INVESTING.COM	FSA - UNITED KINGDOM	
18/08/11	POWERHOUSE CORPORATE FINANCE WWW.POWERHOUSECORPFINANCE.COM	FSA - UNITED KINGDOM	
18/08/11	QUANTUM PARTNERS LTD. WWW.QUANTUMPARTNERSLTD.COM	FSA - UNITED KINGDOM	
18/08/11	SANDFORD HALE & CO. WWW.SANDFORD-HALE.COM	FSA - UNITED KINGDOM	
18/08/11	STJ ADVISORS	FSA - UNITED KINGDOM	Unrelated to STJ ADVISORS LLP, authorised by the FSA with number 491099).
18/08/11	SMART TRADE FX WWW.SMARTTRADEFX.COM	CYSEC - CYPRUS	
18/08/11	ATLANTIC CAPITAL TRUST LLC ATLANTIC CAPITAL TRUST MANAGEMENT WWW.ATLANTICCT.COM	FSA - UNITED KINGDOM	
18/08/11	ATLANTIC CAPITAL TRUST MANAGEMENT ATLANTIC CAPITAL TRUST LLC WWW.ATLANTICCT.COM	FSA - UNITED KINGDOM	
23/08/11	MARCUS & COMPANY INC. WWW.MARCUSANDCOMP.COM	FMA - AUSTRIA	
23/08/11	FHM & ASSOCIATES WWW.FHMASSOCIATES.COM	JFSC - JERSEY	
23/08/11	KAIMON GLOBAL WWW.KAIMONGLOBAL.COM	SFSA - SWEDEN	
23/08/11	BARRINGTON GROUP HTTP://BARRINGTONCONSULTANCY.COM	FSA - UNITED KINGDOM	This entity is unrelated to the American entity THE BARRINGTON GROUP INC.
23/08/11	MILTON FINANCIALS WWW.MILTONFINANCIALS.COM	FSA - UNITED KINGDOM	This entity is unrelated to ALEXANDER DAVID SECURITIES LTD, registered with the FSA (number 469150).
23/08/11	POLARIS CAPITAL MANAGEMENT WWW.POLARISCAPMAN.COM	FSA - UNITED KINGDOM	
31/08/11	ATLANTIS FINANCIAL WWW.ATLANTIS-FINANCIAL.COM	FMA - AUSTRIA	
31/08/11	HANGLUNG GROUP WWW.HANGLUNG-GROUP.COM	FMA - AUSTRIA	
31/08/11	NAVASOTA GROUP WWW.NAVASOTAGROUP.COM	FMA - AUSTRIA	
31/08/11	RITTER GROUP WWW.RITTERGROUP.COM	FMA - AUSTRIA	
31/08/11	AMBROS GROUP WWW.AMBROSGROUP.COM	FSA - UNITED KINGDOM	
31/08/11	CHELSEA ASSET MANAGEMENT WWW.INFO@CHELSEAFS.CO.UK	FSA - UNITED KINGDOM	
31/08/11	MILLER CONSULTING GROUP WWW.MILLERCONSULTANCYGROUP.COM	FSA - UNITED KINGDOM	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
31/08/11	PARAGON INTERNATIONAL WWW.PARAGON-INTERNATIONAL.COM	FSA - UNITED KINGDOM
31/08/11	PHOENIX COOPER FINANCIAL WWW.PHOENIXCOOPERFINANCIAL.COM	FSA - UNITED KINGDOM
31/08/11	STERLING FINANCE AG HTTP://STERLINGFINANCELTD.COM	FSA - UNITED KINGDOM
31/08/11	FARREL, THORNTON, LLOYD & BROWN WWW.FTLBPA.NET	SFSA - SWEDEN
31/08/11	LINCOLN EQUITY PARTNERS WWW.LEPARTNERSONLINE.COM	SFSA - SWEDEN
31/08/11	TAFT MACKENZIE VENTURES, TMV WWW.TAFTMACKENZIE.COM	SFSA - SWEDEN
07/09/11	ARUS ASSET RECOVERY SOLUTIONS WWW.ARUS.EU	FSA - UNITED KINGDOM
07/09/11	ASCENSUS INTERNATIONAL WWW.ASCENSUSINTERNATIONAL.COM	FSA - UNITED KINGDOM
07/09/11	ASCENSUS DIRECT WWW.ASCENSUSDIRECT.COM WWW.ASCENSUSDIRECT.DE	FSA - UNITED KINGDOM
07/09/11	BELVEDERE CAPITAL PARTNERS WWW.BELVEDERECAPITALPARTNERS.COM	FSA - UNITED KINGDOM
07/09/11	BRENNER AND ASSOCIATES WWW.BRENNERCONSULTANCY.COM	FSA - UNITED KINGDOM
07/09/11	BULL INVESTMENT ADVISORS WWW.BULLINVEST.CO.UK WWW.BULLINVESTMENTADVISORS.COM WWW.BULL-INVEST.COM	FSA - UNITED KINGDOM
07/09/11	EASTON CORPORATE FINANCE WWW.EASTONCORPORATE.COM	FSA - UNITED KINGDOM
07/09/11	GATEMORE CAPITAL MANAGEMENT	FSA - UNITED KINGDOM
07/09/11	HOFFMAN MUELLER WWW.HOFFMANMUELLER.COM	FSA - UNITED KINGDOM
07/09/11	HONG KONG FINANCE WWW.HKFINCN.COM	FSA - UNITED KINGDOM
07/09/11	INNIS FINANCIAL SERVICE LLC WWW.INNISFS.COM	FSA - UNITED KINGDOM
07/09/11	INVESTMENT CAPITAL CONSULTANTS (ICC) WWW.INVESTMENTCAPITALCONSULTANTS.CO.UK	FSA - UNITED KINGDOM
07/09/11	SQUARE MILE FINANCE WWW.SQUAREMILEFINANCE.COM	FSA - UNITED KINGDOM
07/09/11	SYNERGY EUROPE WWW.SYNERGYEUROPE.EU	FSA - UNITED KINGDOM
07/09/11	HARTFORD ASSET MANAGEMENT WWW.HARTFORDASM.COM	SFSA - SWEDEN
07/09/11	INTERNATIONAL MERGERS, INC. WWW.INTERNATIONALMERGERS.COM	SFSA - SWEDEN
14/09/11	VICTORY SUISSE	AMF - FRANCE

Date	Company to which the warning relates	Regulator/ Supervisor	
14/09/11	ANTEK GLOBAL CONSULTANTS LTD HTTP://ANTEKGLOBALCONSULTANTS.COM	FSA - UNITED KINGDOM	
14/09/11	BERRINGTON FUND MANAGEMENT	FSA - UNITED KINGDOM	
14/09/11	TAYLOR MANNIS WWW.TAYLORMANNIS.COM	FSA - UNITED KINGDOM	
14/09/11	TRIAS LTD WWW.TRIASLTD.COM	FSA - UNITED KINGDOM	
14/09/11	CASTLE ROCK CORPORATE FINANCE WWW.CASTLEROCK-CF.COM	SFSA - SWEDEN	
14/09/11	CORPORATE ONE ASSET MANAGEMENT WWW.CORPORATEONEASSETMGT.COM	SFSA - SWEDEN	
14/09/11	GLOBAL CAPITAL MANAGEMENT WWW.GLOBALCAPMGT.COM	SFSA - SWEDEN	
14/09/11	LEE BYERS LTD WWW.LEEBYERS.COM	SFSA - SWEDEN	
21/09/11	ADVENT CAPITAL GMBH WWW.ADVENT-CAPITAL.COM	FSA - UNITED KINGDOM	
21/09/11	ALTERNATIVES RESEARCH GROUP WWW.ALTERNATIVE-RESEARCH.NET	FSA - UNITED KINGDOM	
21/09/11	FISCHER & SCHULTZ INDEPENDANT FINANCIAL ADVISORS HTTP://FISCHERANDSCHULTZ.WEBS.COM	FSA - UNITED KINGDOM	
21/09/11	HARRISON RESEARCH (AG) WWW.HARRISONAG.COM	FSA - UNITED KINGDOM	
21/09/11	MAJI CAPITAL PARTNERS WWW.MAJICP.COM	FSA - UNITED KINGDOM	
21/09/11	PETERSON ADVISORY LIMITED WWW.PETERSONCONSULTANCY.COM HTTP://PETERSONCONSULTANCY.COM	FSA - UNITED KINGDOM	
21/09/11	SAVOY INVESTMENT MANAGEMENT	FSA - UNITED KINGDOM	The entity is unrelated to SAVOY INVESTMENT MANAGEMENT LTD (registered with the FSA with number 145877).
21/09/11	SGS CONSULTANTS LIMITED WWW.SGSCONSULTANTSLIMITED.COM HTTP://SGSCONSULTANTSLIMITED.COM	FSA - UNITED KINGDOM	
28/09/11	FINANCE ASSET RECOVERY HTTP://WWW.FINANCEASSETRECOVERY.ORG/	DFSA - DENMARK	
28/09/11	BLAKE MORGAN FINANCIALS HTTP://WWW.BLAKE-MORGAN.COM	JFSC - JERSEY	
28/09/11	AMR BUSINESS SERVICES LLC WWW.AMRKPO.COM	FSA - UNITED KINGDOM	
28/09/11	INVESTORS MANAGEMENT SERVICES WWW.IMSINVESTORSMANAGEMENTSERVICES.COM	FSA - UNITED KINGDOM	
28/09/11	OFFSHORE TAXATION LTD WWW.OFFSHORE-TAXATION.COM	FSA - UNITED KINGDOM	
28/09/11	SEAGRAM SERVICES LTD WWW.SEGRAMSERVICESLTD.NET	FSA - UNITED KINGDOM	
05/10/11	COOPER GREEN	FSMA - BELGIUM	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
05/10/11	BRADLEY ASSOCIATES	FSMA - BELGIUM	
05/10/11	MELICE STOCK MARKET	FSMA - BELGIUM	
05/10/11	VANTAGEPRO ASSET MANAGEMENT	FSMA - BELGIUM	
05/10/11	VENTURE PARTNERS GROUP	FSMA - BELGIUM	
05/10/11	COACHTRADER WWW.COACHTRADER.COM	AMF - FRANCE	
05/10/11	FOREX	AMF - FRANCE	
05/10/11	CONSOLIDATED CREDIT BANK LTD HTTP://CONSOLIDATEDCRDTB.COM/CCB/DEFAULT.HTML	FSC - ISLE OF MAN	
05/10/11	CONSOLIDATED CREDIT BANK LTD HTTP://CONSOLIDATEDCRDTB.COM/CCB/DEFAULT.HTML	JFSC - JERSEY	
05/10/11	ELLIOT MANAGEMENT CONSULTANCY WWW.ELLIOT-CONSULTANTS.COM	FSAN - NORWAY	
05/10/11	HK PACIFIC	FSAN - NORWAY	
05/10/11	CADMAN MERGERS AND ACQUISITION WWW.CADMANMERGERSANDACQUISITION.COM	FSA - UNITED KINGDOM	
05/10/11	CAMBRIDGE EQUITY CORPORATION WWW.CAMBRIDGEEQUITYCORP.COM	FSA - UNITED KINGDOM	
05/10/11	FINANCIAL AFFAIRS CORPORATION WWW.FINANCIALAFFAIRSCORPORATION.COM	FSA - UNITED KINGDOM	
05/10/11	HARBERT EUROPEAN FUND ADVISORS WWW.HARBERTFA.CO.UK	FSA - UNITED KINGDOM	
05/10/11	GLOBAL FINANCIAL CORP WORLDWIDE, GFC WWW.GFCWORLDWIDE.COM	SFSA - SWEDEN	
05/10/11	LITMUS CAPITAL MANAGEMENT GROUP WWW.LITMUSCAPITALGRP.COM	SFSA - SWEDEN	
05/10/11	MCPHERSON GORDON LTD. WWW.MCPHERSONGORDON.COM	SFSA - SWEDEN	
05/10/11	SYNERGY CAPITAL WWW.SYNERGYCAP.NET	SFSA - SWEDEN	
05/10/11	TRILLIONFX WWW.TRILLIONFX.CO	SFSA - SWEDEN	
13/10/11	FOREX	AMF - FRANCE	
13/10/11	CAPITAL EDGE GROUP WWW.CAPITALEDGEGROUP.NET	FSA - UNITED KINGDOM	
13/10/11	CENTRAL AND EASTERN EUROPEAN MARKETS ASSET MANAGEMENT WWW.CEEMAM.COM	FSA - UNITED KINGDOM	
13/10/11	EDENSTONE CONSULTING WWW.EDENSTONECONSULTING.COM	FSA - UNITED KINGDOM	
13/10/11	FUND ADVISERS EUROPE WWW.FAEUROPE.COM	FSA - UNITED KINGDOM	The entity is unrelated to FUND ADVISERS EUROPE NV, duly authorised by the supervisors of Belgium (number 103989 A) and the United Kingdom (number 495229).

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
13/10/11	MOORE CAPITAL GROUP WWW.MOORECAPMANAGEMENT.CO.CC	FSA - UNITED KINGDOM	The entity is unrelated to MOORE EUROPE CAPITAL MANAGEMENT LLP, duly authorised by the supervisor of the United Kingdom (number 459504).
13/10/11	APPS FINANCE, MALTA GROUP WWW.APPSFINM.COM	MFSA - MALTA	
13/10/11	UNITED EUROPE BUSINESS GROUP (UEBG) WWW.UEBG.NET	MFSA - MALTA	
13/10/11	YELLOWDALE	MFSA - MALTA	
13/10/11	1GLOBAL VENTURE GROUP WWW.1GVG.COM	FSAN - NORWAY	
13/10/11	CREDI CORP SECURITIES HTTP://WWW.CREDICORPSECURITIES. COM/	FSAN - NORWAY	
13/10/11	KAIMON GLOBAL WWW.KAIMONGLOBAL.COM	FSAN - NORWAY	
13/10/11	LAKEPOINTE CAPITAL ADVISORS WWW.LAKEPOINTEGLOBAL.COM	FSAN - NORWAY	
13/10/11	MINSHENG CORPORATION WWW.MINSHENG-CORP.COM	FSAN - NORWAY	
13/10/11	POWERHOUSE CORPORATE FINANCE WWW.POWERHOUSECORPFINANCE.COM	FSAN - NORWAY	
13/10/11	GLOBAL CAPITAL MARKETS WORLDWIDE, GCM WWW.GCMWORLDWIDE.COM	SFSA - SWEDEN	
13/10/11	HAYNES - HAMILTON VENTURES WWW.HAYNES-HAMILTON.COM	SFSA - SWEDEN	
13/10/11	JINGHUA INTERNATIONAL GROUP WWW.JINGHUAINTGROUP.COM	SFSA - SWEDEN	
13/10/11	TRIBUNE ASSETS MANAGEMENT LTD. WWW.TRIBUNE-ASSETS.COM	SFSA - SWEDEN	
19/10/11	ALTERNATIVE INVESTMENTS ADVISORS	FSMA - BELGIUM	
19/10/11	BOWER BEST CONSULTANTS	FSMA - BELGIUM	
19/10/11	EQUITIES MANAGEMENT BUREAU	FSMA - BELGIUM	
19/10/11	ATM CAPITAL	JFSC - JERSEY	
19/10/11	SOHO SERVICES LIMITED	JFSC - JERSEY	
19/10/11	PARK AVENUE MERGERS & ACQUISITIONS HTTP://PARKAVENUEMA.COM	FSA - UNITED KINGDOM	
19/10/11	WESTBROOK ACQUISITION AUTHORITY HTTP://WESTBROOKACQUISITIONAUTHORITY.COM	FSA - UNITED KINGDOM	
19/10/11	CHENGLONG INTERNATIONAL WWW.CHENGLONG-INTERNATIONAL.COM	SFSA - SWEDEN	
26/10/11	MB TRANSFERT LTD	FSMA - BELGIUM	
26/10/11	ANG MARKETS LTD HTTP://ANGMARKETS.COM	CYSEC - CYPRUS	
26/10/11	ATP FINANCIAL	JFSC - JERSEY	
26/10/11	JLS CAPITAL GROUP	JFSC - JERSEY	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
26/10/11	BERGMANN & CO. INTERNATIONAL WWW.BERGMANNCO-INTERNATIONAL.COM	FSAN - NORWAY
26/10/11	MCPHERSON GORDON LTD. WWW.MCPHERSONGORDON.COM	FSAN - NORWAY
26/10/11	ALDERTON CONSULTANTS WWW.ALDERTON-CONSULTANTS.COM	FSA - UNITED KINGDOM
26/10/11	CASTLE ROCK CORPORATE FINANCE WWW.CASTLEROCK-CF.COM	FSA - UNITED KINGDOM
26/10/11	GOLD ASSET MANAGERS WWW.GOLDASSETMANAGERS.COM	FSA - UNITED KINGDOM
26/10/11	GREENFIELD AND ASSOCIATES WWW.GREENFIELDCONSULTANCY.COM	FSA - UNITED KINGDOM
26/10/11	GREENWAY CONSULTANCY WWW.GREENWAYCONSULTANCYGRP.COM	FSA - UNITED KINGDOM
26/10/11	NKP FINANCIAL WWW.NKP-FINANCIAL.COM	FSA - UNITED KINGDOM
26/10/11	WESTGATE & GREENE ASSOCIATES WWW.WESTGATEGREENE.COM	FSA - UNITED KINGDOM
26/10/11	WILSONE & DUFFUS (UK) LTD WWW.WILSONE-MARKETS.COM	FSA - UNITED KINGDOM
26/10/11	CARLISLE-CONROY VENTURES WWW.CARLISLE-CONROY.COM	SFSA - SWEDEN
26/10/11	THOMSON MCKINNON CAPITAL CORP.	SFSA - SWEDEN
02/11/11	SONG CENTEA FINANCIERINGEN	FSMA - BELGIUM
02/11/11	TS-TRISTAR IMPERIAL, INTERNATIONAL CREDIT INSTITUTE HTTPS://WWW.IMPERIAL-BANKING.NET	CYSEC - CYPRUS
02/11/11	ACTIVA FINANCIAL SERVICES LIMITED	FSAN - NORWAY
02/11/11	WAYTUNG GLOBAL WWW.WAYTUNG-GLOBAL.COM	FSAN - NORWAY
02/11/11	CADDEN INTERNATIONAL LTD WWW.CADDENINTL.COM	FSA - UNITED KINGDOM
02/11/11	CPI INTERNATIONAL WWW.CPIINT.COM	FSA - UNITED KINGDOM
02/11/11	FHM ASSOCIATES/FULLER-HATHAWAY MOY ASSOCIATES WWW.FHMASSOCIATES.COM	FSA - UNITED KINGDOM
02/11/11	WARREN FISHER & ASSOCIATES HTTP://WARRENFISHERASSOCIATES.COM	FSA - UNITED KINGDOM
02/11/11	LONGWOOD TRANDING AND SGCEX WWW.LONGWOOD-TRADING.COM	SFSA - SWEDEN
10/11/11	CHENGLONG INTERNATIONAL WWW.CHENGLONG-INTERNATIONAL.COM	FMA - AUSTRIA
10/11/11	FIRST STANDARD MANAGEMENT LIMITED	EI CBI - IRELAND
10/11/11	EASTRIDGE ASSOCIATES HTTP://EASTRIDGEASSOCIATES.COM	JFSC - JERSEY
10/11/11	DREXEL-BEARNS CONSULTING GROUP HTTP://DREXELBEARNS.COM WWW.COMPUTERATWORK.COM/DREXELBEARNS	FSA - UNITED KINGDOM

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
10/11/11	GUARDIAN SECURITIES WWW.GUARDIAN-SECURITIES.COM	FSA - UNITED KINGDOM	
10/11/11	MORGAN PREMIER GROUP WWW.MORGANPREMIERGRP.COM	FSA - UNITED KINGDOM	
10/11/11	RICHARDSON & FOSTER PARTNERS WWW.RICHARDSONFOSTER.COM	FSA - UNITED KINGDOM	
10/11/11	STRAUSS CAPITAL CONSULTANTS WWW.STRAUSSCAPITALCONSULTANTS.COM	FSA - UNITED KINGDOM	
10/11/11	WELLINGTON MANAGEMENT	FSA - UNITED KINGDOM	
10/11/11	ATX GROUP AND HOUSTON FUTURES EXCHANGE, HOUFEX WWW.ATX-GROUP.COM	SFSA - SWEDEN	
10/11/11	DMR CONSULTING LLC WWW.DMRCONSULTINGLLC.COM	SFSA - SWEDEN	
10/11/11	MATHEWS MERGER MANAGEMENT WWW.MATHEWSMMGMT.COM	SFSA - SWEDEN	
10/11/11	NABSECURITIES INC. WWW.NABSECURITIESINC.COM	SFSA - SWEDEN	
16/11/11	BERG COMMODITIES	FSMA - BELGIUM	
16/11/11	ONLINE INVESTMENT BANK	GFSC - GIBRALTAR	This publication does not imply a modification of the position of Spain as regards the dispute in relation to the British territory of Gibraltar and in relation to the local nature of its authorities.
16/11/11	CULVERHOUSE CAPITAL WWW.CULVERHOUSECAPITAL.COM	CSSF - LUXEMBOURG	
16/11/11	WWW.GUARDIAN-SEC.COM	MFSA - MALTA	
16/11/11	CHARTERED INVESTMENTS	FSA - UNITED KINGDOM	
16/11/11	FIRST STANDARD MANAGEMENT WWW.FIRST-STANDARD.NET WWW.FIRSTSTANDARDMANAGEMENT.COM	FSA - UNITED KINGDOM	
16/11/11	MANAGEMENT INTERNATIONAL DUBLIN LTD	FSA - UNITED KINGDOM	
16/11/11	MANDOLIN RESOURCES HTTP://MANDOLINRESOURCES.COM	FSA - UNITED KINGDOM	
16/11/11	EASTMAN PIERCE PARTNERS MERGERS & ACQUISITIONS WWW.EASTMANPIERCE.COM	SFSA - SWEDEN	
16/11/11	GLOBAL DIRECT ASSET MANAGEMENT WWW.GLOBALDIRECTAM.COM	SFSA - SWEDEN	
16/11/11	NIPPON FINANCIAL PARTNERS WWW.NIPPONFP.COM	SFSA - SWEDEN	
16/11/11	NORWICH SECURITIES CORPORATION, NSC WWW.NORWICHSECURITIES.COM	SFSA - SWEDEN	
23/11/11	UFX BANK	FSMA - BELGIUM	
23/11/11	QUANTUM FINANCE MANAGEMENT LIMITED HTTP://WWW.QUANTUM-FM.CO.UK/	SSMA - SLOVENIA	
23/11/11	SECURCORP	AMF - FRANCE	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor
23/11/11	BEACON POINTE SECURITIES WWW.BEACONPOINTESECURITIES.COM WWW.RESEARCH.BEACONPOINTESECURITIES.COM	FSA - UNITED KINGDOM
23/11/11	GOLDMAN PHILLIPS WWW.GOLDMANPHILLIPS.COM	FSA - UNITED KINGDOM
23/11/11	ISAAC PAIGE ASSOCIATES WWW.ISAACPAIGE.COM	FSA - UNITED KINGDOM
23/11/11	M.S. GLOBAL	FSA - UNITED KINGDOM
23/11/11	SINO FINANCIAL WWW.SFLTDCN.COM	FSA - UNITED KINGDOM
23/11/11	GRAF-KANTOR OHG WWW.GRAFKANTOROHG.COM	SFSA - SWEDEN
23/11/11	SANWA HOLDINGS WWW.SANWAHOLDINGS.COM	SFSA - SWEDEN
30/11/11	ECLIPSE ADVISORY B.V. HTTP://ECLIPSE-ADVISORY.COM/	FMA - AUSTRIA
30/11/11	MRC MARKETS WWW.MRCMARKETS.COM	ESMA - FRANCE
30/11/11	AMK TRUST LTD WWW.AMKTRUST.COM	FSA - UNITED KINGDOM
30/11/11	BEAUMONT, GREENE & PARTNERS WWW.BEAUMONTGREENE.COM	FSA - UNITED KINGDOM
30/11/11	DURDAN HEYER LTD WWW.DURDANHEYER.COM	FSA - UNITED KINGDOM
30/11/11	H.Y. MARKETS	FSA - UNITED KINGDOM
30/11/11	MILLER WINSTON - WORLDWIDE MERGERS AND ACQUISITIONS WWW.MILLERWINSTON.COM	FSA - UNITED KINGDOM
30/11/11	TRIBUNE ASSETS MANAGEMENT LTD. WWW.TRIBUNE-ASSETS.COM	FSA - UNITED KINGDOM
05/12/11	FOREX	ESMA - FRANCE
14/12/11	LONGWOOD TRADING WWW.LONGWOOD-TRADING.COM	FSMA - BELGIUM
14/12/11	PROVIDEO FINANCIAL	FSMA - BELGIUM
14/12/11	MACELLUM CAPITAL MANAGEMENT HTTP://MACMANAGEMENTLLC.COM	JFSC - JERSEY
14/12/11	NOVA PORTFOLIO MANAGEMENT	JFSC - JERSEY
14/12/11	NOVA UK LTD	JFSC - JERSEY
14/12/11	PREMIER PARTNERS WWW.PREMIER-PARTNERS.COM	CSSF - LUXEMBOURG
14/12/11	CHENGLONG INTERNATIONAL WWW.CHENGLONG-INTERNATIONAL.COM	FSAN - NORWAY
14/12/11	ELLIS STANLEY ALDEN WWW.ESAGLOBALSERVICES.COM	FSAN - NORWAY
14/12/11	FIRST PRIVATE CLIENTS LTD WWW.FIRSTPRIVATECLIENTS.COM	FSA - UNITED KINGDOM
14/12/11	GLOBAL NETWORK FIDUCIARY LLC	FSA - UNITED KINGDOM

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
14/12/11	GRENFELL AND BLACKROCK ASSOCIATES WWW.GRENFELLASSOCIATES.COM	FSA - UNITED KINGDOM	
14/12/11	MKL BUSINESS SERVICES, LLC WWW.MKLBPO.COM	FSA - UNITED KINGDOM	
14/12/11	NOVA PORTFOLIO MANAGEMENT WWW.NOVAUKLIMITED.COM WWW.NOVAUKLTD.COM	FSA - UNITED KINGDOM	
14/12/11	PLATINUM FUNDS MANAGEMENT HTTP://PLATINUMFUNDSMANAGEMENT.COM	FSA - UNITED KINGDOM	
14/12/11	ROTHRIDGE CONSULTING GROUP WWW.ROTHRIDGECONSULTINGGROUP.COM	FSA - UNITED KINGDOM	
14/12/11	SARASIN FUNDS MANAGEMENT (GUERNSEY) LIMITED WWW.SARSIN-FUNDS.COM WWW.SARASINFUNDS.COM	FSA - UNITED KINGDOM	
14/12/11	SWAN ASSET MANAGEMENT WWW.SWANMGMT.COM	FSA - UNITED KINGDOM	
14/12/11	WAIGHT AND CAFFIE COMPANY LTD HTTP://WWW.WAIGHTCAFFIE.COM/	FSA - UNITED KINGDOM	
14/12/11	WINTERTHUR FUND MANAGEMENT HTTP://WINTERTHURFUNDMANAGEMENT.COM	FSA - UNITED KINGDOM	The entity is unrelated to the entities of the AXA Group.
14/12/11	ASIAN CAPITAL GROUP WWW.ASIANCAPITALGRP.COM	SFSA - SWEDEN	
14/12/11	BLACKSTONE ASSET MANAGEMENT WWW.BLKFINANCE.NET	SFSA - SWEDEN	
14/12/11	BOSTON PRIVATE EQUITY WWW.BOSTONPE.COM	SFSA - SWEDEN	
14/12/11	CENTAUR GLOBAL ADVISORS WWW.CENTAUR-ADVISORS.COM	SFSA - SWEDEN	
14/12/11	DAILEY SECURITIES, INC. WWW.DAILEYSECURITIES.US	SFSA - SWEDEN	
14/12/11	ELLIS ALDEN WWW.ELLIS-ALDEN.COM	SFSA - SWEDEN	
14/12/11	ELLIS STANLEY ALDEN, ESA GLOBAL WWW.ESAGLOBALSERVICES.COM	SFSA - SWEDEN	
14/12/11	HOWARD GARY & COMPANY WWW.HOWARDGARYANDCO.COM	SFSA - SWEDEN	
14/12/11	KENNEDY ANDERSON MERGERS & ACQUISITIONS WWW.KENNEDYANDERSON-MERGER.COM	SFSA - SWEDEN	
14/12/11	ASHFORD FINANCIAL GROUP, AFG WWW.ASHFORDFINANCIALGROUP.COM	SFSA - SWEDEN	
14/12/11	FRIEDMAN GLOBAL AND SHANGHAI DERIVATIVES EXCHANGE, SHDEX WWW.SHDEX.ORG WWW.FRIEDMAN-GLOBAL.COM	SFSA - SWEDEN	
21/12/11	ASHFORD FINANCIAL GROUP HTTP://WWW.ASHFORDFINANCIALGROUP.COM	FSAN - NORWAY	
21/12/11	ALPHA BROKERS S.R. WWW.ALPHABROKERSSR.COM	FSA - UNITED KINGDOM	

Public warnings in respect of non-registered entities *(continuation)*

Date	Company to which the warning relates	Regulator/ Supervisor	
21/12/11	BLOOMFIELD TRUST MANAGEMENT WWW.BLOOMFIELDTM.COM	FSA - UNITED KINGDOM	
21/12/11	GLOBAL ASSET MANAGEMENT WWW.GAMANAGEMENT.CO.UK	FSA - UNITED KINGDOM	
21/12/11	TOUCH FINANCIAL	FSA - UNITED KINGDOM	
21/12/11	CHESTERFIELD LYONS WWW.CHESTERFIELDLYONS.COM	SFSA - SWEDEN	
21/12/11	SPACE ENERGY AG WWW.SPACEENERGY.COM	SFSA - SWEDEN	
Other public warnings forwarded by foreign regulators			
23/02/2011	WWW.ZURICH-BNK.COM	FSC - ISLE OF MAN	Misleading website unrelated to the duly registered entity with the name ZURICH BANK INTERNATIONAL LTD.
09/03/2011	MARBLE ART INVEST WWW.MARBLEARTINVEST.FR	AMF - FRANCE	Investments in art.
16/03/2011	VARIOS ISLA DE MAN	FSC - ISLE OF MAN	Misleading job offers.
16/03/2011	VARIOS ISLA DE MAN	FSC - ISLE OF MAN	Misleading websites.
16/03/2011	MR. MARTINS ARNOLD	FSC - ISLE OF MAN	Misleading correspondence.
29/06/2011	MR. MARTINS ARNOLD	FSC - ISLE OF MAN	False correspondence.
29/06/2011	MR. GREEN ROSS	FSC - ISLE OF MAN	False correspondence.

Source: CNMV.

Legislative annexes

A Spanish legislation

A.1 Spanish Securities Market Commission

CNMV Resolution of 16 November 2011, which creates and regulates the CNMV's Electronic Register.

This Resolution creates the CNMV's Electronic Register, the implementation of which aims to determine the procedures of its competence, in which it provides the service of the electronic register for receiving and sending the corresponding documents, as well as the general conditions for presenting standardised documents.

Within its scope of application, use of the Electronic Register will be mandatory in the requests, documents and communications with citizens which must be entered in the registers in accordance with the provisions of Article 38 of Law 30/1992, of 26 November, on the Legal Regime of Public Administrations and Common Administrative Procedure and its implementing legislation. It is not possible to substitute this record for others in non-electronic registers or in the registers of computer applications which manage the services, procedures and processes.

CNMV Agreement of 16 November 2011, relating to the adaptation of the CIFRADOC/CNMV System to the certification and recognised electronic signature services and creation of the CNMV's Telematic Register.

It repeals the Agreement of 15 September 2006 of the CNMV's Board, relating to the adaptation of the CIFRADOC/CNMV System to the certification and recognised electronic signature services and creation of the CNMV's Telematic Register.

A.2 Official secondary markets in securities and other trading systems

Law 7/2011, of 11 April, which amends Law 41/1999, of 12 November, on securities payment and settlement systems and Royal Decree-Law 5/2005, of 11 March, on urgent reforms to boost productivity and improve public procurement.

This law transposes Directive 2009/44/EC, which, in response to recent developments of financial markets, updates the content of Directive 98/26/EC on settlement finality in payment and securities settlement systems, and Directive 2002/47/EC with regard to connected systems and credit rights.

Accordingly, Law 41/1999, of 12 November, on securities payment and settlement systems, is amended so as to recognise interoperable systems and extend to them the current rules on the finality of transfer orders which are processed through said systems. For the purposes of this law, interoperable systems are considered as two or more systems whose management companies have signed a mutual agreement which involves the execution of transfer orders between systems. However, the agreements signed between interoperable systems do not constitute a system.

Each system will determine its own rules on the moment of irrevocability and finality in transfer orders and, in the case of interoperable systems, the rules of each of them will guarantee, as far as possible, coordination with the rules of the other affected systems with regard to determining said moments. However, unless thus expressly established in the rules of all the systems which are interoperable, the rules of each one of them with regard to the moment of irrevocability and finality will not be affected by the rules of the other systems.

With regard to the amendment of Royal Decree-Law 5/2005, of 11 March, on urgent reforms to boost productivity and improve public procurement, except in the legally provided circumstances, credit rights are included as part of the collateral which may be used in financial operations.

Consequently, the bringing of insolvency procedures by one participant in a system, even in an interoperable system, or from a management company of a system, will not have an effect on the rights and obligations of said participant or said management company which result from clearing or which derive from firm transfer orders. Similarly, neither will it affect the credit rights which, as collateral, a participant had established in favour of a system or other participants. In these cases, the beneficiaries of the collateral will enjoy absolute right of separation of the assets offered as collateral.

Law 32/2011, of 4 October, which amends Securities Market Act 24/1988, of 28 July.

This amendment to the Securities Market Act serves as the starting point for an important reform of the securities post-trading system in Spain which will make it possible to ensure the competitiveness of its infrastructures and its capacity to integrate into the pan-European processes currently being implemented, especially that of the T2S securities settlement platform, which will substantially modify the systems currently in force in the EU. The T2S project, driven by the Eurosystem, aims to create a European technical platform which allows national and cross-border securities settlement to central securities depositories and, indirectly, their participants.

In order to meet this objective, the amendment of the Securities Market Act entails the following:

– The introduction of central counterparties (CCP) in post-trading services which will mediate on their own account between the buyers and sellers in transactions carried out on securities, assuming the counterparty risk, and which will perform the settlement of securities and cash deriving from said transactions. The intervention of this type of entity will make it possible to replace the existing multilateral gross settlement system with a bilateral model, based exclusively on balances.

– The explanatory memorandum of the Law states that the current delivery guarantee mechanisms in the scope of the entity responsible for carrying out the settlement of securities (Sociedad de Sistemas de Compensación y Liquidación, S.A.) will be abolished, ultimately allowing the revocation of settlement instructions as the last-resort mechanism for resolving incidents, in line with the trend in other European systems.

– Thirdly, the explanatory memorandum indicates that the current system of tracking ownership using registry references (hereinafter, RR) will be replaced by a system based exclusively on balances. To this end, alternative control systems will be established based on a standardised system for the accounts kept by the entities authorised to do so and supervision will be strengthened so as to provide security features equivalent to those currently offered.

– The Law indicates that the necessary regulatory measures will be adopted so as to unify the register systems through equity, fixed income and public debt balances.

– Finally, the Law introduces new rules applicable to the entities responsible for the securities register and their affiliated entities. In particular, Section 12 *bis* of the Securities Market Act establishes the "*pro rata* rule" whereby if securities with the same identification code (ISIN) are not sufficient to fully meet the rights of the registered owners of those securities, the shortfall will be distributed on a *pro rata* basis among all the owners.

CNMV Circular 6/2011, of 12 December, which amends Circular 9/2008, of 10 December, on accounting standards, reserved and public financial statements and annual accounts of governing companies of official secondary markets, excluding the Bank of Spain, of the governing bodies of multilateral trading facilities, of the Sociedad de Sistemas, of central counterparties, of the Sociedad de Bolsas, of companies which hold all the shares of governing bodies of official secondary markets and multilateral trading facilities, and of other clearing and settlement systems of markets which are created pursuant to the provisions of the Securities Market Act.

The Circular is an update of Circular 9/2008, of 10 December, which aims to implement several improvements. Firstly, it includes for the first time the models for public consolidated interim financial statements and consolidated annual accounts both for application of International Financial Reporting Standards adopted as a result of European Union Regulations and for application of Spanish standards on consolidation. It also updates the models for reserved consolidated financial statements (for supervisory purposes).

Secondly, it introduces several technical improvements in the structure of the data contained in the models of the financial statements and supplementary information, as well as in the procedures, deadlines and formalities for sending and publishing the information. It eliminates various data from the monthly and quarterly statements and simplifies the formalities for certifying approval and publishing public interim statements. It also withdraws the requirements to present public individual interim statements in those entities forming a group which present public consolidated interim statements and, at the same time, it extends the deadlines for sending all the quarterly financial statements and supplementary information, both reserved and public.

Thirdly, it restructures the breakdowns of reserved information on revenue, with the most significant changes being the addition of a new segment with regard to clearing and central counterparty activity in anticipation of the incorporation of any central counterparty in Spain in the near future, as well as the reorganisation of the remaining revenue segments and regrouping of some of them with similar segments within one single operating activity.

A.3 Primary markets

Order PRE/627/2011, of 22 March, establishing the requirements which must be met by the promotion agreements of asset securitisation funds in order to favour business financing.

This legislation aims to determine the procedure for formalising the promotion agreements of asset securitisation, as well as the requirements which must be met by securitisation funds, which, under the promotion agreements, may benefit from central government guarantees provided in the Budget Act in force each year so as to guarantee part of the fixed-income securities which they issue. It also establishes the regime, content and forms of the agreements which the aforementioned entities may enter into with the Ministry of Industry, Tourism and Trade through the Directorate-General of Policy of Small and Medium-Sized Enterprises.

In this regard, it integrates the amendments introduced by Law 26/2009, on General Government Budgets for 2010 and Royal Decree-Law 6/2010, of 9 April, on measures for promoting economic recovery and employment, also incorporating, in this area, some improvements with regard to competition and procedure. Firstly, the head of the Directorate-General of the Treasury and Financial Policy is empowered to set the fee for the guarantee. Secondly, the deadline for presenting agreement applications is delayed by 15 days. It also strengthens the role of the Directorate-General of Policy of Small and Medium-Sized Enterprises in the evaluation committee and, finally, it empowers the head of the above Directorate-General to modify the agreement forms.

Law 6/2011, of 11 April, amending Law 13/1985, of 25 May, on equity and investment ratios and reporting requirements of financial intermediaries, the Securities Market Act 24/1988, of 28 July, and Royal Legislative Decree 1298/1986, of 28 June, on adaptation of current law on credit institutions to European Union legislation.

This law aims to begin transposition of Directive 2009/111/EC. This law addresses a series of essential reforms relating to solvency and limits to risk concentration in credit institutions and investment funds. These include the obligation for credit institutions and investment firms to meet certain requirements in order to hold exposure to securitisation positions and in order to initiate a securitisation. Similarly, with the aim of strengthening the quality of their equity, the Law determines the requirements for admitting preferred shares and other hybrid capital instruments as original own funds of credit institutions. The amendments introduced in the legal regime for preferred shares are as follows:

– The Bank of Spain may require the cancellation of the payment of remuneration to the holders of preferred shares based on the financial and solvency situation of the issuing or parent credit institution.

– With regard to bankruptcy law, the cancellation of the payment of the remuneration to the holders of preferred shares will not be considered for the purposes of determining the debtor's insolvency or dismissal in the payment of its obligations.

– In the event of significant losses or a marked fall in the solvency ratios, the holders of preferred shares, in accordance with the conditions of each issue, must assume the losses of the entity by converting their securities into shares or participation shares or through the reduction of the nominal value of their preferred shares.

– Furthermore, these financial institutions are required to meet governance rules which include remuneration policies that are consistent with promoting solid and effective risk management.

Another important new aspect is the introduction of new measures aimed at strengthening cooperation between supervisors, such as the obligation of the Bank of Spain and the CNMV to take into account the impact of their decisions on the financial stability of other Member States, the regulation of the associations of supervisors and joint decisions with regard to the supervision of cross-border groups or the possibility of declaring branches of credit institutions authorised in another Member State as significant for the purposes of establishing the aforementioned associations of supervisors.

Royal Decree 1307/2011, of 26 September, which amends Royal Decree 437/2010, of 9 April, which implements the regulation of the securitisation process of the electricity system deficit.

This royal decree amends Royal Decree 437/2010, of 9 April, for determining the price conditions for assignment of the time differences of payments of the electricity system taking place in 2010.

It also increases the flexibility of the procedure for competitively issuing financial instruments. In this regard, it introduces the possibility of private placements of securities, which will allow the Securitisation Fund of the Electricity Sector Tariff Deficit to make use of this type of funding and help to achieve the general aim of minimising funding costs over the life of the Fund. In order to guarantee the twofold aim of minimising prices and making competitive issues, it establishes that private placement will involve choosing one or several underwriting entities individually by means of the competitive procedure based on criteria such as time period, price and volume to be underwritten.

Finally, it establishes the Inter-ministerial Committee, which aims to ensure correct compliance with the conditions for executing the tasks assigned to the Management Company of the Securitisation Fund for approving the price of the private placement of financial instruments and to select the underwriting entities of said operations.

A.4 Investment firms and credit institutions

CNMV Circular 1/2011, of 21 January, which modifies Circular 12/2008, of 30 December, on the solvency of investment firms and their consolidatable groups.

This circular includes the content of Commission Directive 2009/27/EC, amending Directive 2006/49/EC, of the European Parliament and of the Council, as regards technical provisions concerning risk management, with regard to position risk and counterparty credit risk of certain credit derivatives. It also transposes Directive 2009/83/EC, as regards technical provisions concerning risk management.

It introduces some changes resulting from acquired experience, such as the concepts to consider when calculating the capital requirements for structural expenses, the exclusion of certain assets from the limits to major risks, and the matter of the need to deduct tax credits from base capital.

It adds an additional provision on financial advisory firms, in particular, on the verification which must be performed by independent experts when the financial advisory firms are natural persons.

Royal Decree 771/2011, of 3 June, which amends Royal Decree 216/2008, of 15 February, on own funds of financial institutions and Royal Decree 2606/1996, of 20 December, on deposit guarantee funds of credit institutions.

This legislation implements the modifications related to the own funds of financial institutions introduced by Law 6/2011, of 6 April, by transposing Directive 2009/111/EC, of 16 September 2009 (known as the Basel II Agreement). The main aspects of this legislation, which affects both credit institutions and investment services firms, are as follows:

– It introduces amendments relating to risk concentration.

– It improves supervision of cross-border banking groups, it regulates the "colleges of supervisors" for the financial groups which operate in various EU countries and clarifies the powers and responsibilities of the national supervisory authorities, making their cooperation more effective.

– It improves regulation of the quality of banks' own funds, especially relating to "hybrid" instruments. For the purposes of solvency legislation, it distinguishes the instruments that do not rank *pari passu* with ordinary shares during liquidation or do not fully absorb losses on a going-concern basis *pari passu* with ordinary shares.

– It adapts liquidity risk management and improves the risk management for securitised instruments. Firms which assign their assets in the securitisation process must maintain part of the risks inherent to those assets, while companies which invest in the assets must show due diligence and acquire sufficient information. If they fail to do so, they will be subject to heavy capital penalties.

– It regulates the remuneration policy for employees and executives so that variable remuneration is to some extent related to the long-term results of the financial institutions. Similarly, it requires that staff undertake not to use personal hedging or insurance strategies relating to the remuneration and responsibility that reduce the effects of alignment with the risk included in their remuneration systems.

– Furthermore, in line with the provisions relating to deposit guarantee funds which are currently being carried out at a European level, it introduces a new regime for additional contributions to these funds based on the remuneration of the deposits. Specifically, it requires additional contributions from institutions which excessively remunerate both their term and sight deposits.

Royal Decree-Law 16/2011, of 14 October, which creates the Deposit Guarantee Fund for Credit Institutions.

The two main aims of this royal decree-law are:

- Unification of the three deposit guarantee funds currently existing (banks, savings banks and credit co-operatives) into one single Deposit Guarantee Fund for Credit Institutions. This new Guarantee Fund takes the legal place of the three dissolved funds and hence maintains the functions and features of the three funds which it substitutes.

- The increase in contributions from credit institutions up to two per thousand of their guaranteed deposits (although this may rise up to three per thousand), with the aim that the Deposit Guarantee Fund for Credit Institutions contributes more to the restructuring process of financial institutions.

Order EHA/2899/2011, of 28 October, on transparency and protection of bank customers.

This legislation aims to guarantee a suitable level of protection for the customers of credit institutions (natural persons) by implementing measures for transparency in the provision of banking services. The commissions and interest rates applicable to banking services will be those set freely by the parties, while the Order will regulate those aspects relating to their advertising and pre-contractual and contractual information, and includes in its annexes specimen models of the Pre-Contract Information Sheet (Spanish acronym: FIPRE), Personalised Information Sheet (Spanish acronym: FIPER) and specific sheets for reverse mortgages. The information on interest rate "floor and ceiling" clauses will be included in an annex to the FIPER.

Similarly, the Bank of Spain will establish a unified document for credit institutions to carry out annual communications on commissions and expenses accrued and interest rates effectively applied to each banking service provided to the customer over the previous year. With regard to related banking services, the credit institutions must expressly inform the customer in an understandable manner about the possibility, or not, of contracting each service independently and under what conditions.

A.5 UCITS

CNMV Circular 2/2011, of 9 June, on Information of Foreign UCITS Registered in the CNMV Registries.

As a result of the end of the period for transposing Directive 2009/65/EC, of the European Parliament and of the Council (UCITS Directive), CNMV Circular 2/2006, of 27 June, is repealed and substituted, simplifying the notification procedure required of foreign collective investment schemes which are going to be marketed in Spain and streamlining the information which must be sent to the CNMV about these UCITS.

This notification procedure requires that UCITS present the pertinent documentation to the competent authority of the home Member State. The Circular establishes a standardised model for the marketing report, since part of the information which must be provided in this notification procedure is not harmonised and refers to the provisions provided for marketing UCITS in the host State.

Furthermore, it eliminates the requirements to register in the CNMV Registry of compartments, and it extends the content of the communication to be made to the CNMV in accordance with Article 52 of the Personal Income Tax Regulation so as to include the details of the compartments and/or classes referred to in the tax information. With regard to non-harmonised UCITS, the requirement to send information by electronic means is cancelled.

CNMV Circular 3/2011, of 9 June, which partially amends Circular 1/2009, of 4 February, on the Categories of UCITS based on their investment profile.

This circular introduces some amendments relating to the categories of UCITS based on their investment profile, which is regulated in Circular 1/2009, of 4 February. Accordingly, it clarifies that the calculation of the investment percentages of fixed income and equity of the investment profiles will take into account both spot investments and derivatives, i.e. the fund's total exposure. It also slightly amends the types of UCITS and incorporates a harmonised EU-wide definition of monetary funds.

Law 31/2011, of 4 October, which amends Law 35/2003, of 4 November, on UCITS.

This law aims to initiate transposition of Directive 2009/65/EC, of the European Parliament and of the Council, of 13 July 2009, on the coordination of laws, regulations and administrative provisions relating to UCITS, which simplifies the regime for cross-border marketing of UCITS, and Article 11 of Directive 2010/78/EC, of the European Parliament and of the Council, of 24 November 2010, which partially amends Directive 2009/65/EC. This transposition will be completed with the implementing legislation, and amends Law 35/2003, of 4 November, on UCITS.

Within the first set of new aspects, this law introduces into Law 35/2003 the provisions necessary (applicable legal regime and supervision powers) for correct functioning of the passport of the management company for managing funds. Spanish management companies may manage funds domiciled in other Member States, and management companies from other states may manage Spanish firms. In addition, it simplifies the regime for cross-border marketing, which will now involve notification between competent authorities of the application of the management company and only the competent authority of the home Member State will verify compliance with the necessary requirements. This therefore speeds up access to other markets.

A second set of amendments is aimed at strengthening investor protection. The Law strengthens the mechanisms for cooperation, consultation and exchange of information between competent supervisory authorities. In addition, the Law introduces a new informative document, the Key Investor Information Document", which substitutes the previous simplified prospectus and which includes two new aspects. Firstly, it fully adapts this document to the aim of making harmonised funds and companies from any Member State perfectly comparable. The information will be presented concisely and in a manner which is easily understandable for the investor. This document must therefore only contain the essential information for adopting well-grounded decisions.

A further raft of aspects included in the Law involves reforms aimed at increasing the competitiveness of the sector within the context of greater integration and competition. Accordingly, it introduces the possibility of using global accounts for marketing in Spain of funds domiciled in Spain, thus eliminating the discrimination compared with foreign UCITS which have long been using this marketing mechanism. With the same aim, Law 35/2003 is amended so as to allow the possibility that

UCITS may assign part of the assets which they hold as collateral, thus improving their funding possibilities.

Finally, the Law introduces additional mechanisms in order to facilitate and strengthen the CNMV's supervision, as well as technical improvements aimed at greater legal security.

CNMV Circular 4/2011, of 16 November, which partially amends Circular 4/2008, of 11 September, on the content of the quarterly, half-yearly and annual reports of UCITS and of the position statement.

This circular partially amends Circular 4/2008, of 11 September. This amendment is necessary as a result of the substitution of the simplified prospectus by the Key Investor Information Document (hereinafter, KIID) as a consequence of European Directive 2009/65/EC (UCITS IV Directive) and its implementing legislation, which makes it necessary to adapt the content of the periodic public information so as to match that to be included in the KIID.

Specifically, a new definition is given to the expense ratio and it establishes that the management fee over results must be communicated independently. In addition, the KIID requires that a chart be published with the historic return of the UCITS, which, although it does not form part of the periodic public information, will be presented together with said information. Accordingly, the expense ratio and the management fee over the result of the previous year, as well as the chart of the historic returns which are sent in the periodic public information of the second half of the year will be incorporated into the KIID annually with the aim of updating the information contained therein.

In order to adapt Circular 4/2008 to the UCITS Regulation, management companies are required to inform about the existence of costs arising from the analysis service, about the circumstances and about other relevant information which has led, as the case may be, to the creation of a UCITS or special-purpose compartment, as well as, in the case of the dissolution or liquidation of Real Estate Investment Funds, about the most significant aspects of this process.

In order to adapt to CNMV Circular 6/2010 on derivative instruments, an amendment is made to the format of the periodic information of the UCITS for it to include the information requirements for UCITS included in the aforementioned circular. Accordingly, it must indicate the method chosen for measuring the total exposure to market risk, the levels of maximum, minimum and average VaR, as well as the leverage at the end of the reference period.

CNMV Circular 5/2011, of 12 December, which amends Circular 12/2008, of 30 December, on solvency of investment services firms and their consolidatable groups, and Circular 7/2008, of 26 November, on accounting standards, annual accounts and statements of reserved information of investment services firms, management companies of collective investment schemes and management companies of venture capital firms.

This circular aims to amend Circular 12/2008 on rules relating to solvency, and Circular 7/2008 on rules related to accounting, both applicable to investment services firms and their consolidatable groups. With regard to solvency, amendments are made to the concepts relating to elements which make up own funds (shares and preferred shares, hybrid instruments, etc.), large exposures, the trading book and internal forms for these purposes and, finally, remuneration policies. With regard to accounting, rules are included relating to business combinations and accounting consolidation.

It partially incorporates into Spanish law Directive 2009/111/EC, of the European Parliament and of the Council, of 16 September 2009, amending directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management, and Directive 2010/76/EU, of the European Parliament and of the Council, of 24 November 2010, amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies. This circular will enter into force on 1 January 2012.

CNMV Circular 7/2011, of 12 December, on the fee prospectus and the content of standard contracts.

This circular establishes the preparation and electronic sending of prospectuses whenever they refer exclusively to fees applicable to retail customers. In this regard, in order to facilitate the comparison of data received from different entities, the Circular implements Article 2.3 of Order EHA 1665/2010 so as to define the basis for calculation and the concepts of some of the most usual transactions provided to retail customers. For this purpose, the model prospectus proposed consists of a fixed part, which includes the fees applicable to the aforementioned transactions, and the variable part in which each entity will include the fees for other transactions and services which may be provided.

The fees applicable to professional investors, not included under the scope established in Order EHA 1665/2010, will be determined freely between the parties without the need to be subject to the regime regulating fee prospectuses.

When there is no prior control by the CNMV over the content of standard contracts, without prejudice to the power to require their rectification or termination in accordance with Article 8 of Order EHA 1665/2010, the mandatory contents are implemented in the matters established in Article 6 of the aforementioned Order.

With regard to advertising, the Circular establishes the requirement to make both the fee prospectuses and the standard contracts easily accessible to customers and potential customers at all offices attending customers, including external agents, and on their website.

The first additional provision adds a new statement to those provided in CNMV Circular 1/2010, of 28 July, on reserved information of investment services firms, with the aim of disclosing the fees which are actually applied to customers in the most usual transactions. To this end, information is requested on the average and most frequent value of the fees actually charged to customers, as well as the maximums and minimums of the extreme intervals.

Finally, it adds a second additional provision which amends the statements containing the supplementary information necessary to determine the contribution to the FOGAIN (General Investment Guarantee Fund) made by UCITS Management Companies and Investment Services Firms contained in CNMV Circular 7/2008, of 26 November.

A.6 Credit rating agencies

Law 15/2011, of 16 June, amending certain financial rules for the application of Regulation (EC) No. 1060/2009, of the European Parliament and of the Council, of 16 September 2009, on credit rating agencies.

The approval of Regulation 1060/2009/EC on credit rating agencies makes it necessary to adapt the Securities Market Act 19/1992, of 7 July, on the regime for real estate investment companies and funds and on mortgage securitisation funds and Law 13/1985, of 25 May, on investment ratios, own funds and reporting obligations of financial intermediaries, specifying the obligation of certain financial institutions to use the ratings issued by registered or certified agencies pursuant to the Regulation.

The authority to supervise these entities, in accordance with the EU Regulation, lies with the European Securities and Markets Authority, but it also regulates the relations which that body must maintain with the CNMV in this matter.

A.7 Measures with regard to the economic crisis

Royal Decree-Law 02/2011, of 18 February, for strengthening the financial system.

This royal decree-law has a twofold objective: to rectify the asset position of savings banks and to modernise their functioning and corporate governance, encouraging them to adopt organisational forms which allow them to access capital markets.

Firstly, to guarantee the solvency of savings banks, compliance with the international standards of Basel III has been brought forward. The minimal level of the core capital ratio has been set at 8%, and at 10% for those institutions which have not placed equity securities with third parties for at least 20% and which, in addition, have a wholesale funding ratio greater than 20%. The institutions which as of March do not reach the required level of core capital will have to inform the Bank of Spain about the strategy and schedule which will guarantee compliance with the new requirements. In the case of those institutions which request admission to trading of their shares on an official secondary market, the deadline will be extended until the first quarter of 2012. Similarly, temporary non-compliance of up to 20% of the core capital ratio required will mean that the Bank of Spain will impose restrictions on the distribution of profits, payment of dividends, allocation to social work, remuneration of preferred shares, variable remuneration of directors and executives and share re-purchases.

Furthermore, the Royal Decree-Law imposes that the rectification by the FROB (Fund for Orderly Banking Restructuring) of institutions which are in difficulty will be carried out by means of the temporary acquisition of ordinary shares of those institutions which do not comply with the required levels of own funds and which request said acquisition. This participation of the FROB will be extended for a maximum period of five years and the valuations will be carried out by experts appointed by the Fund. The acquisition of securities by the FROB will be dependent upon the entity preparing a recapitalisation plan in which it must assume commitments, such as to reduce structural costs or to improve corporate governance. Finally, it also provides the acquisition by FROB of preferred shares convertible into contributions to the share capital of credit cooperatives.

Royal Decree-Law 8/2011, of 1 July, on support measures for mortgage debtors, on control of public spending and cancellation of debts with companies and self-employed persons contracted by local entities, on promotion of business activities and fostering administrative restructuring and simplification.

This decree-law adopts an extremely varied series of measures to strengthen the response capacity of the Spanish economy to the international financial crisis. Together with other fiscal measures or measures to speed up the process of creating companies, the following significant amendments to mortgage law are adopted, which have an indirect impact on the securities market:

– It extends the limit of the immunity from seizure of income up to 150% of the minimum inter-professional salary (Spanish acronym: SMI) for those mortgage debtors who have lost their primary residence and an additional 30% for each family member who does not receive income above the aforementioned SMI.

– In order to promote legal security in the real estate sector, the Property Register will now incorporate information that will allow purchasers of real estate to know in advance any possible litigation involving the property, including the proceedings which may involve the imposition of fines or future demolition.

A.8 Other legislation

Sustainable Economy Act 2/2011, of 4 March.

This act introduces numerous legislative amendments in different areas. This summary is limited to issues related to the securities market.

Firstly, it amends the Securities Market Act, extending the content of the annual corporate governance report, which will also require subsequent legislative implementations. Listed companies, and as appropriate, savings banks, must also report on the following issues:

– Anti-takeover bid measures and defences.

– Delegations to the Board of directors to issue and repurchase securities.

– Internal control systems for financial information.

– Issues of securities which are not traded on an EU market.

Secondly, it introduces an advisory vote for shareholders on the remuneration policies of listed companies in the General Shareholders' Meeting ('say on pay'). For this purpose, Article 61 *ter* of the Securities Market Act regulates the content of the remuneration report, which now becomes an independent document of the annual corporate governance report. The advisory vote in the Shareholders' Meeting relates both to the remuneration policy of the financial year which has ended and that planned for the year in progress.

Thirdly, the Act addresses an extensive review of the disciplinary law of the securities market, introducing amendments to the Securities Market Act, the UCITS Act 35/2003, of 4 November, and Law 25/2005, of 24 November, regulating venture capital firms and their management companies. We can highlight the following amendments in this area:

– It provides the possibility for the CNMV to require that the persons and entities subject to supervision provide independent expert reports from auditors or from their internal control or legal compliance bodies.

– It establishes the obligation of those subject to supervision by the CNMV to provide the CNMV, when requested, with the commercial telephone conversations which have been recorded with the prior consent of the client or investor.

– It regulates the electronic notification system, by which the CNMV and the Bank of Spain make their communications to supervised persons and entities.

– Probative value is given to the facts verified by duly authorised CNMV personnel in the exercise of their supervision and inspection functions.

– Certain obligations of registrars of companies with regard to transactions with own shares are abolished.

– The chart of serious and very serious breaches is amended. The general provision by which minor breaches are considered to be the failure to comply with the rules of regulation and discipline of the securities market which do not constitute serious or very serious breaches now expressly includes two situations which amount to a minor breach relating to the sending of information and lack of collaboration and failure to comply with the rules of conduct provided in the Securities Market Act.

– It establishes some criteria for determining the applicable penalties.

– It establishes the possibility of not bringing disciplinary proceedings for minor breaches.

– It introduces standard penalties relating to the failure of credit institutions to comply with the rules of conduct and it increases the amount of fines for these institutions.

– The agents of the management companies of UCITS are included in the UCITS supervision, inspection and disciplinary regime. Several standard penalties are revised and criteria added for determining the penalties.

– The UCITS Act will apply for the disciplinary regime of venture capital firms.

Fourthly, it is important to mention the amendments to UCITS Act 35/2003, of 4 November, with regard to the announcements of transformation and mergers of UCITS.

Fifthly, amendments are made to Law 13/1985, of 24 March, on equity investment ratios and reporting requirements of financial intermediaries, with regard to the remuneration policies of credit institutions and investment firms. Firms must publish their remuneration policies and practices, reporting on the process for deciding remuneration, its characteristics and the relationship between remuneration and performance. The Bank of Spain is empowered to review said remuneration policies and practices and, in particular, to limit variable remuneration when it is not coherent with maintaining a solid capital base. It should be pointed out that the regulation of the remuneration policies of credit institutions was once again amended by Law 6/2011, of 11 April, amending Law 13/1985, of 25 May, on equity and investment ratios and reporting requirements of financial intermediaries, the Securities Market Act 24/1988, of 28 July, and Royal Legislative Decree 1298/1986, of 28 June, on adaptation of current law on credit institutions to European Union legislation.

Finally, it repeals the legislation of the ombudsmen for the defence of customers of financial services, although it temporarily maintains the procedure provided in this legislation relating to processing claims.

The seventh change is the amendment to the Capital Companies Act so as to recognise the right of listed companies with shares represented by book entry to have information on their shareholders at all times.

Law 21/2011, of 26 July, on Electronic Money.

This Law introduces amendments to the legislation on electronic money institutions which had been introduced by Law 44/2002, of 22 November, on Reform Measures for the Financial System, and its implementing legislation. It adapts the regulation of these institutions to Law 16/2009, of 13 November, on Payment Services, in some aspects such as the field of services to which the regulation on electronic money is not applicable. It also allows electronic credit institutions to provide payment services.

Law 25/2011, of 1 August, on the partial reform of the Capital Companies Act and the incorporation of Directive 2007/36/EC, of the European Parliament and of the Council, of 11 July 2007, on the exercise of certain rights of shareholders in listed companies.

This law has a two-fold aim. Firstly, it aims to reduce the organisation and operating costs of capital companies and achieve the necessary modernisation of the law of these types of companies, as well as to remove some of the most unjustified differences existing between the regime for *sociedades anónimas* (public limited companies) and that for *sociedades de responsabilidad limitada* (limited liability companies). Secondly, it obeys the need to transpose Directive 2007/36/EC to national law, the essential purpose of which lies in facilitating and promoting the exercise of information and voting rights of the shareholders of listed companies within the EU.

With regard to reducing the costs of capital companies, the Law eliminates some requirements to place advertisements in the official or private press, especially those relating to the calling of the General Shareholders' Meeting, resolutions for amending articles of association, publication of the dissolution of the company or the annual accounts during the liquidation period. It also establishes measures which lower the cost of filing the annual accounts, reducing the required paperwork.

For the first time by force of law, it regulates the legal regime of the legal entity director, with specific reference to the joint and several liability of the represented legal entity and the representative. Furthermore, it empowers directors which represent at least one third of the Board of Directors to call a meeting when the chairman, despite being required to do so, has not called a meeting.

Unification of the regime of public limited companies and limited liability companies occurs with regard to the calling of General Shareholders' Meetings, the acceptance that the articles of association of public limited companies may establish, instead of a rigid structure of the management body, two or more types of organisation, the possibility of introducing into the articles causes for exclusion of shareholders, the consideration of inactivity as a cause for dissolving all capital companies, the generalisation of the default rule on automatic conversion of the company's directors in liquidators and the legal regime of the liquidators of cancelled companies. Similarly, in reference to the amendment of point 1 of Article 157 of the Capital Companies Act, failure to comply with the obligations or infringement of the prohibitions established in said chapter by public limited companies and limited liability companies shall be considered a breach.

Furthermore, starting from the principle of equal treatment for shareholders which are in the same position with regard to information, participation and votes in the general shareholders' meeting, a special regime is created for exercising shareholders' rights to participation in the general shareholders' meeting of listed companies. It regulates in special detail the functioning of the general shareholders' meeting, requiring that extraordinary meetings are called at least 15 days in advance. It also provides for the possibility of shareholders voting by electronic means, and regulates the advertising of the announcement and the complementary documentation, the right to complete this announcement and to present new agreement proposals, as well as the shareholder's right to information and participation, and distance voting in the general shareholders' meeting.

Finally, it limits the set of rules contained in Title XIV of the Capital Companies Act. Failure to comply with these rules will lead to the CNMV starting disciplinary proceedings. Similarly, it amends the Securities Market Act 24/1988, of 28 July, in such a way that the events of non-compliance included in articles 516, 517, 520.2 and 524.2 of the consolidated text of the Capital Companies Act are now considered as serious breaches in accordance with the provisions in Article 100 of the Securities Market Act.

Law 38/2011, of 10 October, on the reform of the Bankruptcy Act 22/2003, of 9 July.

The need to reform the Bankruptcy Act results from the fact that the current worsening economic situation has highlighted certain dysfunctional aspects of current legislation and has shown one of the main objectives of the Act - maintaining the professional business activity of the insolvent party - has not been met.

This is a comprehensive reform which introduces a series of significant amendments that aim to correct the errors of approach detected in practice, as well as to cover certain gaps in the previous regulation. These amendments include the following:

– Greater scope is given to the alternatives to bankruptcy, or pre-bankruptcy proceedings, offering companies a faster and more economical method for solving the crisis through re-financing agreements. In this regard, the Act addresses the formal communication to the competent court that negotiations are being undertaken with creditors. It fully regulates the duties of the negotiating parties to the agreement and fundamentally establishes the judicial certification of said agreement so that, providing it meets certain requirements, the re-financing agreements form part of the acts which cannot be rescinded. In this regard, it clarifies that only the official receiver may exercise any action for rescission and any other challenges. Subsidiary standing will not be applicable to creditors for exercising said actions.

- It also incorporates into Spanish law the "privilege of fresh money", included in Article 84, with the aim of providing liquidity to the company which has re-financed its debt, favouring the granting of credit to companies in the agreement stage. Accordingly, "50% of the loans which involve new cash inflows and which have been granted within the framework of a re-financing agreement" are considered as claims against the estate, thus establishing a protection mechanism for such "new money".

- With the aim of fostering the conservative solution of the bankruptcy proceedings, it also establishes the possibility of carrying out structural modifications during the pre-bankruptcy phase and allows the acquisition of bankruptcy claims, which will include the right to vote at creditors' meetings when the acquirer is an entity subject to financial supervision.

- So that the insolvency solution is not delayed, the Act simplifies and speeds up the bankruptcy procedure, bringing forward the settlement, promoting a truly shortened bankruptcy procedure, offering specific solutions in the common stage and in the agreements and improving the regime for filing the bankruptcy in the registries.

- One aim is to provide greater professionalism to receivers. Consequently, the receivership functions are enhanced and the requirements for being appointed as a receiver are strengthened.

- Following this line, the Act extends the circumstances in which the receiver is made up of one single member, not only limiting this to fast-track bankruptcy procedures. This has a positive impact on the functioning of the receiver and also reduces the costs arising from the bankruptcy.

- It also recognises the possibility that a legal entity may be appointed as a receiver (e.g. a professional company) so that this function may be carried out by a range of professionals with the necessary training and experience.

- Finally, the Act aims to specify the legal regime of certain specific aspects of the bankruptcy proceedings. Accordingly, it resolves certain legal doubts regarding the classification of claims against the estate of the salary debts and compensation in the event of dismissal or termination of the work contract. It sets the payment order of the claims when the estate is not sufficient to fully cover all claims, it amends the regulation of the related bankruptcy proceedings, etc.

Royal Decree 1517/2011, of 31 October, which approves the Regulation which implements the consolidated text of the Account Auditing Act, approved by Legislative Royal Decree 1/2011, of 1 July.

This regulation implements those aspects which define the activity of account auditing, which comprise a body of modern regulation, and which define and specify the public supervision system attributed to the Institute of Accounting and Account Auditing (ICAC), which is fully inserted within an international context, and its effective implementation.

It provides compliance with the legal mandate of defining entities of public interest due to their special activity or size. It thus includes entities which are under the supervision of the Bank of Spain, the CNMV, and the Directorate-General of Insurance and Pension Funds as they are authorised to raise funds from the public for carrying on certain marketing and investment activities. It also includes collective investment schemes and pension funds above a certain number of unit-holders. In addition, it includes those entities with assets of over 200 million euros or with over 1,000 employees. The Account Auditing Act imposes a raft of stricter obligations or controls on the auditors of these entities, while the regulation specifies the content of the annual transparency report which they must issue.

The regulation specifies the regime for access or legal qualification for practising auditing. Together with the regime for ordinary access, it implements the access regime through other routes, such as that applicable to certain personnel working for the public authorities that carry out public functions involving auditing or revision or control of audits. In addition, it also regulates other aspects such as the obligation for ongoing training and the legal regime for auditor independence.

It is also important to point out the incorporation of an express prohibition on limiting the distribution or use of the audit report, as well as the implementation of the legally established power not to issue the audit report and to resign from the audit engagement, setting the criteria which must be followed as well as the line that separates said power from the obligation to issue a report with a disclaimer of opinion.

B European legislation

B.1 Market abuse

Regulation (EU) No. 1227/2011, of the European Parliament and of the Council, of 25 October 2011 on wholesale energy market integrity and transparency.

This regulation aims to guarantee greater integrity and transparency in wholesale energy markets by establishing a suitable legislative framework which, bearing in mind the specific conditions of the sector not covered by other directives and regulations, prevents market abuse and manipulation.

Abusive practices in the energy market have a significant impact as these wholesale energy markets include both the commodities market and the derivatives market. Similarly, it is important to bear in mind that they have a cross-border effect on the wholesale prices of electricity and natural gas and also affect the retail prices to be paid by consumers and micro-companies. However, to date, the practices for controlling the energy market have been specific for each Member State in the sector, which, due to the multiple jurisdictions which these commercial activities may be subject to, has generated a lack of clarity and even loss of control. Hence, Regulation No. 1227/2011 aims to establish a harmonised regulatory framework so as to guarantee transparency and integrity in wholesale energy markets.

Accordingly, in order to ensure this integrity and transparency, the Regulation establishes the definitions of insider trading and market manipulation, which constitute market abuse, so that they are compatible between derivatives and commodities markets. It also expressly prohibits insider trading, as well as the manipulation, or attempts at manipulation, of wholesale energy markets.

Along the same lines, this regulation establishes the requirement for market participants to disclose in an effective and timely manner inside information which they possess.

In order to detect and prevent market abuse in wholesale energy markets, the Agency for the Cooperation of Energy Regulators is entrusted with controlling the market as it has the necessary knowledge on the functioning of said markets and networks within the European Union. However, close cooperation and coordination is required between the Agency and national authorities so as to guarantee suitable control. It also introduces certain harmonisation of the penalty system.

B.2 UCITS and investment services firms

Directive 2011/61/EU, of the European Parliament and of the Council, of 8 June 2011, on alternative investment fund managers amending Directive 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010.

This directive establishes common requirements applicable to the authorisation and supervision of alternative investment fund managers (hedge funds), which are those not subject to Directive 2009/65/EC, of 13 July (UCITS Directive). It therefore establishes a harmonised framework for regulating and supervising the activities of all alternative fund managers in the EU, including those with their registered office outside the EU, establishing a passport system which allows cross-border activity in the EU. The Directive does not regulate the alternative investment funds themselves, but their managers, and establishes a period of two years for its transposition to national law.

In summary, it establishes the authorisation and registration regime, the rules of conduct and transparency of alternative fund managers, and the capital and organisational requirements. It should be highlighted that the legislation has a particular impact on remuneration policies, which must promote effective and responsible risk management. It also has an impact on the need to value assets reliably and objectively, the appointment of independent depositories, on the conditions for delegating functions, on the prevention of systemic risk deriving from the leverage of these alternative investment funds, for which it provides new instruments to ESMA and to the ESRB (European Systemic Risk Board), and the possible conflicts of interest arising from the control of a company (whether listed or not) by an alternative investment fund.

Directive 2011/89/EU, of the European Parliament and of the Council, of 16 November 2011, amending directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate.

Directive 2002/87/EC grants the competent authorities of the financial sector powers for additional supervision of groups made up of several regulated entities which operate in different sectors of the financial markets (financial conglomerates). It places special attention on the potential risks of double gearing (multiple use of capital) and group risks (risks of contagion, management complexity, concentration and conflicts of interest).

Directive 2011/89/EU considers that it is necessary for financial conglomerates to identify themselves throughout the Union according to the level of risk exposure and based on common guidelines. Hence, the competent authorities must coordinate the additional supervision of financial conglomerates which operate internationally, preparing guidelines aimed at the convergence of supervision practices and drafting regulatory technical standards. In this regard, for the purposes of the stress tests, additional parameters may be developed which consider the specific risks associated with financial conglomerates.

The activities of a group are mainly carried out in the financial sector when the total balance sheet of the entities of the group's financial sector, whether regulated or not, and the total balance sheet of the group together, are greater than 40%. This Directive determines that asset management companies and managers of alternative investment funds shall be added to the sector to which they belong within the group and, if they do not belong exclusively to a sector within the group, will be added to the smallest financial sector.

In order to calculate the capital adequacy requirements, the scope of additional supervision covers: (a) credit institutions, financial institutions and firms providing auxiliary services; (b) insurance companies, re-insurance companies and insurance portfolio companies; (c) investment companies; and (d) mixed portfolio financial companies. "Mixed portfolio financial companies" are defined as a parent company which is not a regulated entity and which, together with its subsidiaries, constitutes a financial conglomerate.

Alternative investment fund managers are included in the additional supervision. Member States are responsible for determining or empowering their government authorities to decide on what sectoral standards are included (banking sector, insurance sector or investment services sector).

In the case of companies which carry on banking or insurance activities, the regulators may apply the specific legislation of these two sectors or even additional supervision to the parent company. Currently, supervisors must choose only one type of standard to be applied when a conglomerate enters into a new sector. However, legislation will allow States to apply exceptions to those companies which are too small to affect the market.

B.3 Credit rating agencies

Regulation (EU) No. 513/2011, of the European Parliament and of the Council, of 11 May 2011, amending Regulation (EC) No. 1060/2009 on credit rating agencies.

In accordance with the proposed changes, the new European supervisory authority (ESMA) will hold exclusive powers with regard to the supervision of credit rating agencies registered in the EU, which also includes the European subsidiaries of Fitch, Moody's and Standard & Poor's.

The powers of ESMA include requesting information, initiating investigations and carrying out *in situ* inspections. In addition, issuers of structured financial instruments, such as credit institutions and investment firms, must provide all other interested credit rating agencies with access to the information which they provide to their own rating agency so that those agencies may issue unrequested ratings.

B.4 Other legislation

Directive 2011/35/EU, of the European Parliament and of the Council, of 5 April 2011, concerning mergers of public limited companies.

This Directive adapts Third Council Directive 78/855/EEC, of 9 October, incorporating successive directives concerning mergers, such as Directive 2006/99/ EC, Directive 2007/63/EC, and Directive 2009/109/EC. It hence coordinates the legislation of Member States relating to mergers of public limited companies so as to protect the interests of shareholders and third parties.

Annexes on CNMV organisation

Composition of the CNMV Board as at 30 April 2012

Chairman	Mr Julio Segura Sánchez
Vice-Chairman	Mr Fernando Restoy Lozano
Board Members	Mr Íñigo Fernández de Mesa Vargas (Secretary General for Treasury and Financial Policy)[1]
	Mr Francisco Javier Aríztegui Yáñez (Bank of Spain Deputy Governor)
	Mr Luis Pedroche y Rojo
	Ms Ana Isabel Fernández Álvarez
	Mr Oriol Amat i Salas[2]
Secretary	Mr Alfonso Cárcamo Gil

Composition of the CNMV Executive Committee as at 30 April 2012[3]

Chairman	Mr Julio Segura Sánchez
Vice-Chairman	Mr Fernando Restoy Lozano
Board Members	Mr Luis Pedroche y Rojo
	Ms Ana Isabel Fernández Álvarez
	Mr Oriol Amat i Salas
Secretary	Mr Alfonso Cárcamo Gil

1 Appointed by Royal Decree 2056/2011, of 30 December.
2 Appointed by Order EHA/1572/2011, of 10 June.
3 The creation, constitution and functions of the Executive Committee are regulated by article 18 of Securities Market Act 24/1988, of 28 July, as amended by Act 44/2002, of 22 November, on Measures to Reform the Financial System.

Composition of the CNMV Advisory Committee as at 30 April 2012[4]

Chairman	Mr Fernando Restoy Lozano
Secretary	Mr Alfonso Cárcamo Gil
Technical secretary	Mr Víctor Rodríguez Quejido
Members	
Representatives of markets infrastructure	
Member	Mr Jaime Aguilar Fernández-Hontoria
Alternate	Mr Jorge Yzaguirre Scharfhausen
Member	Mr Francisco Oña Navarro
Alternate	Mr Ignacio Solloa Mendoza
Member	Ms Ana Ibáñez Díaz-Bustamante
Alternate	Ms Aránzazu Ullibarri Royuela
Representatives of issuers	
Member	Mr Vicente Santamaría de Paredes Castillo
Alternate	Mr Rafael Mateu de Ros Cerezo
Member	Mr Salvador Montejo Velilla
Alternate	Mr Rafael García de Diego Barber
Representatives of investors	
Member	Mr Mariano Rabadán Forniés
Alternate	Mr Ángel Martínez-Aldama Hervás
Member	Mr Antonio Mª Malpica Muñoz
Alternate	Mr José Manuel Pomarón Bagües
Member	Mr Manuel Pardos Vicente
Alternate	Mr Daniel Araque Galván
Member	Mr Jofre Farrés Roselló
Alternate	Mr Santiago Pérez Beltrán
Representatives of credit institutions and insurance companies	
Member	Mr Javier Rodríguez Pellitero
Alternate	Mr Juan Basurto Solaguren-Beascoa
Member	Mr José María Méndez Álvarez-Cedrón
Alternate	Mr Antonio Jesús Romero Mora
Member	Ms Marta de Castro Aparicio
Alternate	Ms Carmen Montellón García
Member	Ms Pilar González de Frutos
Alternate	Ms María Aránzazu del Valle Schaan

4 Royal Decree 504/2003, of 2 May, regulating the CNMV Advisory Committee.

Representatives of professional associations	
Member	Mr Rafael Cámara Rodríguez Valenzuela
Alternate	Mr Valentín Pich Rosell
Member	Mr Javier Méndez Llera
Alternate	Mr Alfredo Jiménez Fernández
Member	Mr Fernando Vives Ruiz
Alternate	Ms María Gutiérrez Urtiaga
Representatives of the Investment Guarantee Fund	
Member	Mr Ignacio Santillán Fraile
Alternate	Mr José Ignacio García-Junceda Fernández
Representatives of the Autonomous Regions with an official secondary market	
Basque Country	
Member	Ms Manuela Escribano Riego
Alternate	Mr Miguel Bengoechea Romero
Catalonia	
Member	Mr Jordi Óliva Ritort
Alternate	Mr Josep María Sánchez i Pascual
Region of Valencia	
Member	Mr Jorge Vela Bargues
Alternate	Not yet appointed

CNMV Organisation Chart